The Workability of Intergovernmental Administrative Relations: A Comparison of Labour Market Policy in Post-devolution Canada and the United Kingdom

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Declaration

I declare that:

1. **I am the sole author of this thesis**

2. **This thesis is all my own work**

3. **This thesis has not been submitted for any other degree or professional qualifications**

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ABSTRACT

This is a comparative study of intergovernmental relations in labour market policy in Canada and the United Kingdom (UK) between 1996 and 2006, the first phase of devolution in each country. The study focuses primarily on relations between the central government and a single sub-state in each country (Alberta in Canada and Scotland in the UK) and addresses three research questions: *1) to what extent were there differences in intergovernmental relations between the countries?2) what accounted for these differences? 3) what impact did these differences have on the character and workability of the intergovernmental relations system in each country?* Workability was assessed based upon the degree to which trust ties developed between senior officials.

The analysis concludes that the structure of the state, the structure of the policy domain, and the presence of two important accommodation mechanisms in the UK not found in Canada (the party system and the civil service) made intergovernmental relations in labour market policy in the two countries fundamentally different. In Canada, intergovernmental relations were multilateral, interprovincial and bilateral, whereas in the United Kingdom they were only bilateral. Despite devolution, the UK Government retained control of most policy levers, whereas in Canada devolution has limited federal control and influence and any notion of a *national* labour market system.

Trust ties were enhanced by consistency between the key players, routinized engagement, reliability, honesty, respect, capacity and willingness to engage, and transparency. Although shared objectives made engagement easier, they were not a prerequisite for a positive relationship. Bilateral relationships that took place within the geographic boundaries of Alberta and Scotland were considered as positive and highly workable. Difficulties arose when relationships became multilateral or bilateral relations were managed at a distance. Despite devolution, multilateral relations in the historically conflicted labour market policy domain in Canada remained competitive, with a low degree of workability. Relationships with respect to disability and immigration issues were more positive. In the UK relationships in the welfare to work policy area were cooperative and highly workable. Relationships in skills and immigration did not fare as positively.

ACKNOWLEDGEMENTS

ACRONYMS

AB	Alberta
ADM	Assistant Deputy Minister
AECD	Advanced Education and Career Development
AHRDA	Aboriginal Human Resources Development Agreement
AHRE	Alberta Human Resources and Employment
BC	British Columbia
BNA	British North America
CIC	Citizenship and Immigration Canada
CICS	Canadian Intergovernmental Conference Secretariat
CMEC	Council of Ministers of Education Canada
C/QPP	Canada/Quebec Pension Plan
C of F	Council of the Federation
COSLA	Convention of Scottish Local Authorities
DfES	Department for Education and Skills
DM	Deputy Minister
DSS	Department for Social Security
DTI	Department for Trade and Industry
DWP	Department for Work and Pensions
EES	European Employment Strategy
EI	Employment Insurance
ESF	European Social Fund
ESRC	Economic and Social Research Council
EU	European Union
FLMM	Forum of Labour Market Ministers
F/P/T	Federal/provincial/territorial
GO	Government Office
HE	Higher Education
HIE	Highlands and Islands Enterprise
HM	Her Majesty
HO	Home Office
HRDC	Human Resources Development Canada
HRSDC	Human Resources and Social Development Canada
IGR	Intergovernmental Relations
IIR	International and Intergovernmental Relations
JC+	Jobcentre Plus
JMC	Joint Ministerial Committee
LGA	Local Government Association
LMDA	Labour Market Development Agreement
LMPA	Labour Market Partnership Agreement
NCB	National Child Benefit
OECD	Organisation for Economic Cooperation and Development
PES	Public Employment Service
PLMP	Passive Labour Market Policy
PMSE	Prime Minister's Strategy Unit
RDA	Regional Development Agency
SA	Social Assistance

SCF	Scottish Funding Council
SE	Scottish Executive
SEETLLL	Scottish Executive Enterprise, Transport and Lifelong Learning
SNP	Scottish National Party
SSA	Sector Skills Alliance
SSDA	Sector Skills Development Agency
SUFA	Social Union Framework Agreement
UI	Unemployment Insurance
UK	United Kingdom
WCB	Worker's Compensation Board

CHAPTER 1: INTRODUCTION

Topic of Research

Over the past decade a devolution discourse has swept many nation states in Europe and North America, triggered in particular by demands for greater recognition and autonomy from existing regions, stateless nations, and cultural groups. Nowhere was this more evident than in the United Kingdom (UK), where, starting in 1997, the Labour Party under Tony Blair unfolded a devolution program that ultimately led to the establishment of parliaments and assemblies in Scotland, Wales, and Northern Ireland, and what some refer to as Britain's 'constitutional revolution' (Gamble 2006). Lesser known was Canada's devolution experience, perhaps because, as a long established federation, Canada is already considered to be one of the most decentralized countries in the world (Watts 1999, Simeon 2006b). The devolution discourse in that country primarily focused on the further transfer of powers from the Government of Canada to the three northern territories. But another devolution story concerned how labour market policy was governed, when in 1996, without changing the constitution, the federal Liberals under Jean Chrétien offered all provinces and territories the opportunity to assume responsibility for important aspects of federal programs.

Intergovernmental relations are relevant to any political system in which power is shared between governments that are at the same time both interdependent and autonomous. If one thinks of governments as operating in a system, intergovernmental relations focuses on the interactions that connect them, either one reacting to the other, trying to influence the other, or attempting to coordinate their policies, plan together and reduce conflict (Agranoff 2004, Simeon 1972). How these interactions are managed vary from nation to nation, determined by the country's unique social, political, institutional, and constitutional context, as well as the interests, expectations, values, experiences, and capacity of the actors involved. Interactions also vary from one policy sector to another, based upon the complexity of the policy domain, how competence is shared, and how history and institutional

structures interact with the issues facing governments. All of these factors influence the intergovernmental power-relationship dynamic and shape the character and workability of the country's intergovernmental relations system.

This thesis undertakes a comparative investigation of intergovernmental relations in labour market policy in Canada and the UK during the period immediately following devolution in each country. Labour market policy concerns those social and economic activities of governments aimed at making more effective use of the country's human resources (Bakvis and Aucoin 2000). Occupying an ambiguous position at the nexus of social policy (which focuses on equity) and economic policy (which concentrates on efficiency and growth), labour market policy is often subdivided into active and passive components. Financial transfers to mitigate the hardships of the unemployed (such as Employment Insurance, Social Assistance, Jobseekers Allowance, and Incapacity Benefit) are considered passive measures, while programs that improve access to the labour market and jobs, develop job related skills, and promote more efficient labour markets are considered active measures (OECD 1994).

In neither Canada nor the UK did the devolution experience change the arrangements of who did what in passive labour market policy. However, in both countries it had a significant impact on many aspects of active labour market policy, including training, job placement, and employability supports for vulnerable workers. Before devolution most of these supports and services in both Canada and the United Kingdom were dominated by national governments and delivered through a centrally-run public employment service. Post-devolution, sub-state governments in both countries assumed many of these responsibilities.

The study of intergovernmental relations is an essential component of the study of any multilevel political system, and there has been no shortage of academic studies on intergovernmental relations in the devolved United Kingdom or in the Canadian federation. In the UK most analysts agreed that, up to 2006, devolution had settled in well, with very few intergovernmental conflicts evident (House of Lords 2002,

McEwen 2003, Trench 2005, ESRC 2006, Jeffery and Wincott 2006). The assessment of Canada's intergovernmental performance during the same period was more mixed. When Simeon revisited his landmark 1972 study on what he called 'federal-provincial diplomacy' in Canada, he concluded that "the competitive and adversarial nature of intergovernmental relations appears to be even more apparent today than in the 1960s, despite the stated commitments to sharing, cooperation, and common values" (Simeon 2006b, p. 327).

These assessments of intergovernmental relations are at the level of what Stephan Dupré (1985) refers to as 'high politics' involving First Ministers, Finance Ministers, and Intergovernmental Affairs Ministers. But this does not necessarily mean that the same story plays out one step below within such specific policy sectors as health, environment, immigration, transportation, education, or labour market. Intergovernmental interactions at this level determine the specifics of program design, shape the relative roles of the different orders[1] of government, and determine how and whether social interest and citizen groups participate with government in decision making. In Lazar's view there cannot be a single theory or practice of [intergovernmental relations], as, to some degree, it reflects the characteristics and needs of the particular policy file. In many policy sectors governments work quietly together to resolve disputes, and do not elevate them to high politics (Lazar 2006).

Before devolution labour market policy in Canada was certainly considered as 'high politics'. Indeed, as will be described in detail in Chapter Four, the express purpose of devolution was to reduce intergovernmental conflict and tension. This came primarily from the Province of Quebec, whose nationalist governments had long maintained that provinces had sole jurisdiction over matters relating to labour market training. Following failures to change the constitution and the near departure of Quebec from the Canadian federation through a referendum on sovereignty association in 1995, the Government of Canada felt they needed to demonstrate

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[1] The term 'order' of government will be used in a general as well as a Canadian context as it does not imply that a hierarchical relationship exists between the sub-state and central governments. When used in a UK context the term 'level' of government will be used as the retention of hierarchy is a feature of devolution in the UK.

'flexible federalism'. In 1996 they officially recognized provincial[2] responsibility for training and labour market development, and offered to transfer some responsibilities to provincial governments through Labour Market Development Agreements (LMDAs). Over the next ten years, agreements were negotiated with all provinces, and in the early years after devolution most commentators heralded the LMDAs as being responsible for improved federal-provincial collaboration and the removal of a major irritant in Quebec-Ottawa relations (Klassen 2000, OECD 2000, Bakvis 2002, Lazar 2002).

Likewise, in the United Kingdom, it was nationalism that mobilized the Scottish people around constitutional reform. After the 1997 general election, Labour moved quickly to deal with territorial management issues by holding referendums and establishing sub-state governing structures. In 1998 and 1999 they devolved responsibility for many policy sectors to the Welsh and Northern Ireland Assemblies and the Scottish Parliament, including labour market functions such as vocational education, labour market information, skills development, and training and careers advice, as well as the related areas of economic development and postsecondary education. At the same time as devolution was being implemented, Labour also committed to wide-ranging welfare reform and implemented a variety of 'New Deals' to move people from welfare to work and enhance the skill development of the workforce. Although there have been many criticisms of welfare reform in the UK (Fairley 1998, Finn 2000, Leitch 2006, Freud 2007), the territorial dimension has been muted and little examined, primarily because labour market policy is principally still considered a central government function and not subject to sub-state decision making. Post-devolution, there have been no assessments of intergovernmental relations in labour market policy.

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[2] Territorial governments in Canada have a different constitutional status than provinces. Since this study focuses on provincial governments in Canada, the term 'provinces' will be used unless there is a significant territorial dimension.

Aims and Objectives

This research seeks to investigate and provide insight into how shared governance in labour market policy within each country actually worked in practice, post-devolution. For many years the Organisation for Economic Development and Cooperation (OECD) has advocated decentralization or devolution of labour market policy as a means to ensure a competitive labour force and reduce unemployment. In their view, labour market programs are most effective when they take into account the local characteristics of the target group, match them with local labour market needs, and coordinate them with locally driven economic development and social inclusion policies (OECD 2003). Given this emphasis on local or regional control over labour market policy, a comparison of the institutional context that informed and shaped the actions of regional and central government social and political actors in two countries during a period of governance changes will also enhance the study of the policy domain in general (Noël 2004, p. 18).

But filling gaps in the literature was not the only motivation behind this research. An interest in this issue originated from the author's personal experience in working in intergovernmental relations in Canada for the Province of Alberta[3]. In some policy areas, like social services, federal-provincial issues were worked through and accommodations made, but in general this was not the case in labour market policy. The author was curious about why intergovernmental relations in this policy area continued to be so difficult, even in the post-devolution environment where the Government of Canada had acceded to many provincial demands.

Three central questions were selected to focus the work. The first was: *To what extent were there differences in intergovernmental relations in labour market policy between Canada and the United Kingdom?* The second was: *What accounted for these differences?* Canada is and has always been a federal state, whereas until 1999 the United Kingdom was a highly centralized state. In addition, Canada has had over 140 years to develop norms and processes of intergovernmental relations, while the

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[3] From 1993 to 2003 the author worked as Director of Intergovernmental Relations with Alberta Social Services and Alberta Human Resources and Employment.

UK has had fewer than nine. It was therefore expected that the intergovernmental relations systems in the two countries would be significantly different.

The third research question was: *What impact did these differences have on the character and workability of the intergovernmental relations system in labour market policy in each country?* In any political system involving more than one order of government, the political forces of conflict and cooperation are mediated by political and administrative actors through the intergovernmental institutions and processes they establish. One of the tests of these institutions and processes is their capacity to foster collaboration and cooperation, to accommodate conflict, and to resolve those disputes which impede the effective functioning of the system (Advisory Panel 2006). This concept is described in this thesis as 'workability', judged by the degree to which ties of trust develop between senior officials. Trust ties between senior officials are felt to be important because they are communicable to Ministers.

Why are cooperation and workability in intergovernmental relations unavoidable and so important? They are unavoidable because governments within a single nation state are intertwined by geography. They are important because the functions in a modern state cannot be divided sharply, and without cooperation there will be gaps and inefficiencies. Citizens expect their governments to cooperate, because they know that dysfunctional and conflict- ridden relationships do not facilitate good governance. They also know that if ways to cooperate cannot be found the result could be either greater centralization or the break-up of the country. Commenting in 1935 on why a formula for cooperation between the Dominion and the provinces was needed, Canadian Prime Minister Mackenzie King (1935, p.9) said:

> *We should not lose sight of the fact that governments are only institutions created by men to serve human needs. After all, the citizens of the provinces are the citizens of the Dominion. The individuals whose interests the provinces seek to serve are the same individuals for whom the Dominion is concerned.*

During the period of this research Canadians were particularly frustrated with intergovernmental bickering and the duplication and inefficiencies they perceived to

be caused by a lack of collaboration (Watling, Nolte, and MacKinnon 2006). They had also seen the consequences of failed intergovernmental collaboration both domestically and in the United States. The Health Canada National Advisory Committee on Severe Acute Respiratory Syndrome (SARS) partly blamed an inability to contain the 2003 outbreak of the disease on a dysfunctional system of intergovernmental relations (Health Canada 2003). Many US commentators reflected on how Hurricane Katrina in 2005 turned from a disaster to a catastrophe, where the "breaks in the levies around New Orleans became literal as well as figurative 'cracks' in intergovernmental relations" (Wright 2005, p. 12).

There is a deep tension between the need for collaboration, partnership and coordination born of interdependence, shared responsibilities and citizen expectations, and the logic of parliamentary federations which institutionalizes a deeply competitive relationship among governments (Simeon 2002, p. 218, 222). The intent of this thesis is to explore this tension in two parliamentary federations within a defined policy sector.

This brief introduction has provided some preliminary information about the purpose of this thesis, and identified the primary and secondary research questions. The rest of this chapter focuses on the comparative element and why Canada and the United Kingdom were chosen as case studies for this research. It also provides greater detail on the scope and parameters of the research, as well as an overview of the methodology used to collect the evidence. The chapter concludes with an outline of the remaining sections of the thesis.

Comparing Canada and the United Kingdom

Much of the analysis done in social sciences as well as in everyday life is done by making comparisons. Comparative politics is about the behavior of political systems and the behavior of individuals within these systems. Since political scientists cannot conduct experiments under controlled conditions to test theory and the impact of different variables, they must work instead with variations that already exist in the real world. Comparison is the principle method: by looking at similar processes and

institutions in different countries or organizational settings an understanding can be gained of what works and what does not, as well as the theoretical relationship between variables. Peters (1998 p. 13) suggests that the most difficult but crucial task for the comparative analyst is to devise the methods to construct meaningful statements about government and politics within complex and largely unplanned settings. By using the comparative approach and more than one case, a researcher can look at similarities and differences and think about the root causes of the performance of the system. In his view a case study (which also includes time in the analysis) is capable of saying a great deal about the process as well as the country in which it occurs and can be useful to develop a theory of some aspect of political life.

Comparison has uses beyond the development of theory. Comparing political systems also provides an opportunity to think about what one country can learn from another. Although every nation is unique in terms of its history, culture, and institutions, policy *concepts* (as distinct from their *application*) are ripe for borrowing:

> *All policy ideas have to be adapted to different cultural and institutional environments, improved and reshaped until sometimes their origins are unrecognizable…where most people recognize that things need to change, in these areas comparisons are essential, but they are more like explorations which provide insights (Mulgan 2003, p. 2).*

Through this thesis the author also wanted to explore whether there were intergovernmental policy ideas to be drawn from a two-country comparison that might be applicable beyond these two countries to other OECD nations.

Country Selection

The first case (Canada) was selected on the basis of the author's interest in examining intergovernmental relations in labour market policy in Canada in some detail. In choosing a comparator the most common approach is to select another country that is similar in some important ways (Peters 1998). Given that Canada is a federation, a logical choice would have been to select another federation (for example, Germany, Australia, Austria, Switzerland, or the United States). An

alternative approach is to choose a comparator with significant differences, and devolution in the UK provided a unique opportunity to compare an emerging intergovernmental relations system in a devolved system with one in an established federation. In the early days of devolution, many authors had already looked to Canada for lessons for the UK (Simeon 2001a, McEwen 2003, Trench 2003b).

This new interest in Canada-United Kingdom comparisons is a result of key similarities between the two countries. With devolution the UK, like Canada, now has directly elected sub-state governments, resulting in the need for a system of intergovernmental accommodation that resembles federal-provincial relations in Canada. Governance in multi-tiered political systems is much more complicated than in unitary systems as the question of who should do it (policy control) is superimposed on the question of what should be done (policy content).

Both countries function within a broader multilevel governance system, involving continuous negotiations among nested governments at several tiers- supranational, national, regional, and local. Multilevel governance comes about from institutional creation and decisional reallocation that has pulled some previously centralized functions of the state up to the supranational level and some down to the local/regional level (Marks 1993).

The presence of Westminster parliamentary systems in each country was a similarity of great significance, as this feature fundamentally shapes how intergovernmental relations are conducted. According to Watts (1999) the combination of Westminster type parliamentary systems with federal institutions inevitably produces a logic which is commonly described in the academic literature as 'executive federalism'. Here, intergovernmental relations are dominated by elected and appointed officials of the two orders of government.

Other similarities between the two countries were also evident. The distribution of functions in both was legislative, not administrative, meaning that each government's capacity to legislate and administer coincided. Both were multinational political

systems where the presence of sub-state nationalism from the Province of Quebec and the nations of Scotland, Wales, and Northern Ireland made governing particularly complex. The fact that both countries were liberal welfare regimes was also important, given the focus on labour market policy. These regimes are based on notions of 'less eligibility' and 'self help', reflecting a political commitment to minimize the state, to individualize risks and promote market solutions (Esping-Anderson 1999). In the 1990s both countries followed the lead of the OECD Jobs Study (1994) in placing renewed emphasis on active labour market policy over passive, and on making labour markets more flexible. During the period of this research, both countries sustained periods of economic growth and low unemployment. In addition, both were governed by stable centre-left governments that took office after a number of years of Conservative party rule.

Despite these similarities, choosing the United Kingdom as a comparator to Canada provided an opportunity to compare two political systems that are, on a number of variables, substantially different, thereby maximizing the variance with which to explore their differences (Peters 1998, p. 66). By using a most different systems design, the similarities between the two countries described above could be held constant, allowing for a focus on their differences, and an assessment of the impact that these differences had on the character and workability of intergovernmental relations in labour market policy within each country.

There are a large number of variables that impact intergovernmental relations in any country. In the context of a comparison of intergovernmental relations between Canada and the United Kingdom, the variable of most significance is the constitutional status of sub-state governments in each country, and how this impacts the meaning attributed to the word 'devolution' in each. According to Rhodes (2003) decentralization means the distribution of powers to lower levels in a territorial hierarchy; devolution is the political form of decentralization, meaning the exercise of political authority by lay, mainly elected institutions perceived as separate levels of government where central authorities exercise little or no direct control. Devolution in the UK established new sub-state political institutions with authority

over a broad range of policy areas. In contrast, devolution of labour market policy in Canada was more focused, involving what the Government of Canada considered merely as an administrative delegation of authority.

Although this change in Canada may seem minor, it was set within the context of an existing federal system, highlighting the difference between a federation and a devolved state. In his work on comparative federalism, Watts (2006) assists in understanding this difference by providing these definitions:

- *Federalism* is a normative term that refers to the advocacy of multi-tiered government that combines elements of shared rule and territorial self rule
- *Federal political system* is a descriptive term that applies to a broad category of political systems where, by contrast to the single central source of constitutional and political authority in a unitary political system, there are two (or more) levels of government combining elements of shared rule through common institutions and territorial self-rule for the governments of the constituent parts
- *Federations* represent one particular species of a federal political system. For a country to be considered a federation, the following structural characteristics must be present: two or more orders of government acting directly on their citizens; a formal constitutional division of powers and allocation of revenues; provision for the representation of regional views within central policy-making institutions; a supreme written constitution not unilaterally amendable by either order of government; an umpire in the form of the courts; and processes and institutions to facilitate intergovernmental collaboration

According to this definition Canada is both a *federation* and a *federal political system*; the United Kingdom, on the other hand, may be a *federal political system*, but is not a *federation*. Under his categorization scheme Watts considers that, with devolution, the United Kingdom has become a constitutionally decentralized union. British commentators have referred to the UK as a 'quasi-federation' or a 'federacy' (Gamble 2006).

In 1980 Burrows and Denton explored the options of devolution or federalism for the United Kingdom and outlined the possible organizing choices as unitary, administrative decentralization, cautious devolution, advanced devolution, federalism or independence. In their view, the most essential feature distinguishing federalism from devolution was this: if the UK had become a federation the power to amend the constitution, acting alone, would have been removed from central government. The

UK choice of 'cautious devolution' over 'advanced devolution' has resulted in extreme asymmetry, with devolution impacting only 15 percent of the population[4]. This contrasts with Canada, where all areas of the country are represented by sub-state governments.

There are other significant differences between the two countries that will be explored throughout this thesis, including other elements of the overall country context (social, political, institutional, and intergovernmental), the policy specific context (history, competence, complexity, goals and issues, and intergovernmental machinery), and the involvement of actors external to government. These factors will be outlined in greater detail in Chapter Two, in conjunction with the analytical framework used for the comparison.

Selection of Sub-state Governments

Following the country selection, it was then necessary to choose a specific unit of analysis. In Canada there are 13 centre-sub-state government relationships (ten provinces and three territories) while in the United Kingdom there are three (Scotland, Wales, and Northern Ireland). Any kind of relationship between organizations (whether it is between companies, between governments, between union and management within an individual company, etc.) is based on the individual relations that take place between people working in the various component parts over time and then gets rolled up to form a 'relationship'. Since intergovernmental relations in labour market policy were experienced differently in different parts of Canada and the UK during the period of this research, a key question was which centre-sub-state relationship would be examined.

Reference has already been made to fraught relationships between the Government of Canada and the Quebec Government, and cordial relationships between the

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[4] Burrows and Denton (1980) suggest that advanced devolution in the UK would have meant the establishment of assemblies for the English regions (in addition to Scotland, Wales, and Northern Ireland), as well as greater legislative powers for these assemblies over a wide range of issues.

Scottish Executive and the UK Government. Indeed, the prime UK case study selected was Scotland. This choice was by elimination: Wales did not have the degree of primary legislative powers that Scotland did, and for most of the period of this research the Northern Ireland Assembly was suspended due to continuing political instability[5].

Choosing a prime case study province in Canada was more difficult. First, there was a desire to examine relationships between the centre and a 'strong' rather than a weak province[6]. Second, devolution in labour market policy was implemented through two types of Labour Market Development Agreements: 'transfer' and 'co-managed'. However, it was only through transfer agreements that power, decision making, and resources were actually transferred. Given these two criteria, either Quebec or Alberta could have been selected for detailed examination. Alberta was chosen because there have been many assessments of Canada-Quebec relations and relatively few on Canada-Alberta relations. In labour market policy most academic attention has been paid to Ontario (Dupré 1972, Klassen 2000a) and Quebec (Marc 2005). Even more than this, however, Alberta was chosen because, for most of the period of this research, Quebeckers chose political representatives who generally refused to participate in the governance of Canada. Until 2003 the Quebec provincial government was governed by a secessionist party, the Parti Québécois. Since the 1993 election, an average of 64 percent of the available federal seats in Quebec have been held by the Bloc Québécois, a party dedicated to secession. A focus on Quebec would have required a detailed examination of the dynamics of nationalism, and there was a desire to look beyond nationalism as the explanation for intergovernmental conflict or collaboration in this policy field.

A primary focus on Alberta and Scotland did not mean that other relationships were excluded. In the UK a secondary focus was placed on the North East Region of England, because in that area the potential for devolution was most advanced. In Canada, relationships between the Government of Canada and provincial

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[5] The Assembly was suspended from 2002 to 2007.
[6] This relates primarily to the concept of 'have and have not' provinces, which will be explored in greater detail in Chapter Three.

governments in the Provinces of Ontario and British Columbia were also examined in light of the size, prosperity, and significance of these provinces to intergovernmental relations in Canada. In addition, in each country unique relationships with other governments involved with labour market policy were also examined.

Framing the Research

Research Strategy

The comparative approach is often used for the development and testing of theory. However, the purpose of this research was not so much to find the *cause* of a particular phenomenon, but rather was more exploratory, looking at an interesting process during an interesting period in two political systems that were expected to be significantly different (Peters 1998).

The research strategy chosen reflects this overall intent. There are four general approaches to answering research questions in the social sciences: the inductive, the deductive, the retroductive, and the abductive. The choice of a strategy depends upon whether the research questions are 'what', 'why', or 'how' questions (Blaikie 2000). Based on the research questions outlined, this thesis adopts an 'abductive' strategy, exploring through everyday language the knowledge that social actors used in the production, reproduction, and interpretation of intergovernmental relations. From this 'thick' description, meanings were deduced in order to explain (identifying the causes of events) as well as understand (reasons social actors give for their actions) actions and events. These were then transposed into previously developed categories and concepts as a basis for understanding and explanation. The categories developed will be outlined in more detail in Chapter Two.

Case Study

Yin (2003) suggests that the most appropriate research strategy should be chosen according to the type of question, the degree of focus of the study on contemporary

versus historical events, and whether the question requires the investigator to exert control over events. In his view, the case study method is most appropriate for 'how' and 'why' questions which aim to explain contemporary phenomena within their real life context, especially when the boundaries between phenomenon and context are not clearly evident. It is also a suitable strategy when the researcher has no control over the events. Case study was the approach chosen for this research.

This case study compares a specific phenomenon (intergovernmental relations) in two countries (Canada and the United Kingdom), in a focused policy area (labour market policy) within a defined period (1996-2006). There are a small number of cases with a large number of variables. Since relationships between Alberta (in Canada) and Scotland (in the United Kingdom) were examined in detail in the context of their individual countries, this study could be characterized as an *embedded* multiple case study. This required research at different levels (Alberta, Scotland) while still treating the organizations (Canada, UK) each as a single case study (Blaikie 2000, p. 221).

As this research was interested in the changes that had occurred in intergovernmental relations post-devolution, it can be considered a *retrospective* case study (Blaikie 2000). The year 1996 was identified as a common starting point, as that was when the Government of Canada made a formal offer of devolution to provinces and governance arrangements started to change. Events in the United Kingdom were slightly later, given that the Scottish Parliament was not established until 1999. The end period for the study was identified as 2006, providing a period sufficiently stable and long to examine relationships over time. It was also the year that the Liberals were defeated in Canada and the Conservatives returned to power. By focusing on intergovernmental relations under two similar but stable centre-left governments (Liberals and Labour), the impact of ideology was held constant, reinforcing the significance of differences in other areas.

The key focus of the analysis in both Canada and the United Kingdom was on *the nation state* and how the nation state related to *sub-state governments,* which in

Canada are *provinces/territories* and, in the United Kingdom, are the *devolved administrations.* Although there were other government-to-government relationships that were important within each country (notably the European Union, local governments, as well as aboriginal organizations), an extensive focus on these relationships, or indeed on relationships or partnerships with other stakeholders, was beyond the scope of the research. Although these views were sought throughout the evidence-gathering and hence informed the analysis, this was primarily a study of *government* involvement in governance.

Civil Service Focused

The most significant actors for this research were the senior civil servants who were involved in intergovernmental relations in labour market policy in each country, not the politicians. Politicians are 'birds of passage', changing positions much more frequently than civil servants[7]. The focus of this study was therefore on intergovernmental *administrative* relations, and the trust relationships that these individuals established among themselves. By 1996 in Canada the 'high politics' of the Quebec-Canada dispute on labour market policy had dissipated as federal and provincial governments went about negotiating and implementing Labour Market Development Agreements. In the United Kingdom the period after 1999 could be characterized as one of 'making devolution work'. Writing in 1973 about the difference between intergovernmental liaison that accompanies the *operation* of adult occupational programs with that that precedes their political *initiation,* Dupré used imagery that still resonates today. In his view, once an issue moves into *operation:*

> *federal-provincial liaison is left in the hands of the quite distinct group of operating officials who bear the ongoing responsibility for program implementation and development. After their periodic exercises in federal-provincial summitry, the captains and kings depart, leaving the battlefield to their operating infantrymen (Dupré 1973, p. 85).*

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[7] For example, a Canadian provincial Minister of Advanced Education sitting on the Council of Ministers of Education Canada could only find two Ministers with four years in their portfolio; all the rest were junior (Dupré 1992). In addition, provincial Ministerial forays into intergovernmental relations occur only two-three times per year.

A focus on senior civil servants within a policy sector provided an opportunity to examine to what degree political direction was translated into action. In Westminster political systems politicians play the role of policy-maker and are accountable for what happens in their departments. Civil servants take on the role of policy advisor, policy implementer, and, increasingly, the role of policy coordinator. This latter role is particularly relevant in multilevel governance systems, where civil servants are expected to focus on building relationships, networks, and policy communities with experts from the outside, with the goal of engaging the wider public and facilitating feedback and learning from the front line. In both countries intergovernmental relations during the period of this research were nestled within the context of civil service reform, guided by a governing philosophy called New Public Management. Not only did devolution emerge from this reform theme, other manifestations were found in privatization, performance management, and personnel management reform (Lodge and Kalitowski 2007).

Defining Labour Market Policy

The policy focus of this research was particularly difficult to define: indeed one Canadian provincial official claimed that labour market policy's being so "amorphous and opaque" contributed to failure in intergovernmental relations (interview September 20, 2006). In liberal market economies, such as Canada and the United Kingdom, labour market policy is often not seen as a core dimension for state intervention (Haddow and Klassen 2006, p. 6). Although unemployment is seen as an important political issue, beyond income support labour market policy has rarely driven the political agenda (Noël 2004, p. 6). Despite this low profile, effective governance in labour market policy is critical to a nation, playing an important role in reducing poverty, inequality, and social exclusion. It is an integral complement to a competitive economic policy, contributing to keeping a country's unemployment rate low and labour market participation rates high. Labour market programs also constitute a significant portion of overall government expenditures and impact almost all citizens at some point in their lives.

Passive income protection schemes such as Employment Insurance, social assistance and disability benefits (in Canada), or Jobseeker's Allowance, Incapacity Benefit, and Income Support Programs (in the UK) are generally well understood, despite the variety of names that they are given. There is also a common understanding of regulatory aspects of the labour market such as industrial relations, employment standards, and workplace protection. But the third dimension— *active labour market policy*—is a more recent concept, first highlighted by the OECD in 1994.

It was in active labour market policy that devolution changed governance arrangements in both Canada and the UK. It goes by different names in different places: active social policies or activation, employability supports, employment programs, welfare to work, workforce development, human resources management or manpower policy. The emphasis varies according to the times. When unemployment is low the focus is on skills development and immigration: when unemployment is high the focus is on getting people off of benefits and back to work. For individuals, active labour market policy provides the information, skills, and resources they need to prepare for, find, and keep secure, well-paid, and meaningful employment. 'Second chance' active labour market programs provide many individuals who were not successful in traditional education with the opportunity to acquire the human capital they need to avoid poverty. For employers, active labour market policy ensures that they have access to the workforce they require, with the necessary skills to produce the desired products and services in the most efficient and economical manner. For governments, active labour market policy is one of the key mechanisms used to ensure effective functioning of the labour market, combat unemployment, and reduce expenditures on passive labour market measures.

For the purpose of this research the labour market policy domain was defined as *programs and services supported by government funding that help individuals prepare for, find, and keep a job, and that assist employers in securing, retaining and developing the workforce they require*.

These programs and services include:

- s*kills acquisition and institutional training* to assist unemployed workers acquire the skills demanded by the labour market;
- *job matching services* to help employers secure skilled staff and job seekers secure information about vacancies;
- *careers advice, counseling and support services* to help people choose a career, find a job or training opportunity, and support them through the process;
- w*orkforce development* for employed workers including apprenticeships, work experience, and training on the job;
- *job creation activities* that provide subsidies to employers, government departments, or self employment;
- *labour market information* to provide intelligence on occupational trends and shortages and labour market functioning;
- *labour mobility* to assist in the free movement of people, including professional qualification transferability and mutual recognition;
- *activation measures* (either voluntary or compulsory) to address declining job search motivation and other problems for people on government benefits; and
- *targeted measures* to reduce barriers to work for vulnerable groups such as immigrants, youth, older persons, single parents, aboriginal persons, and disabled people (adapted from Johnson 2001).

The concept of *employability* is closely related to this research: indeed this was the area where much of the intergovernmental cooperation and collaboration took place within each country. In the UK, employability emerged as a central tenet of the Blair government's 'third way' policies. From a European Union perspective, employability was one of the initial four pillars of the European Employment Strategy (EES). The term is also commonly used in Canada, and resurfaced during the period of this research as the subject title of a Government of Canada parliamentary committee study. In both countries programs to improve employability generally focus on people in receipt of government income support benefits, people in low pay/low skill jobs, or other vulnerable groups. During the period of this research, in the UK these programs were referred to as the *New Deal* or *welfare to work* or *skills*. In Canada the more common term was *employment* or *labour market services* or *skills development*.

As will be demonstrated through this research, labour market policy is an extremely complex policy domain. Not only are there a variety of terms used to describe the policy area, over the past ten years the policy domain has become increasingly

merged with social security, immigration and economic development. Labour market policy also has a deep historic relationship to higher and postsecondary education, since many aspects of labour market training are delivered by community colleges, part of the higher education sector. It is also related to the notion of human capital development. Given that this research straddles governance across orders of government as well as across policy domains, labour market policy makes a compelling subject for the study of intergovernmental dynamics.

Research Methods

Research methods are the techniques or procedures used to collect and analyze data. Three key data sources were used for this research: government documents, secondary sources, and elite interviews. Direct observation was used to a more limited extent. The data was analyzed through the application of a consistent framework that allowed for comparison across all governments in the two countries being studied.

Government Documents

A large variety of government documents were reviewed, including government policy papers, reports, budget documents, parliamentary committee transcripts, parliamentary debates, intergovernmental agreements and protocols, press releases and communiqués, and Minister's speeches. The strength of documentary sources as evidence is that the technique is stable and unobtrusive, ensures exact names and references of an event, and provides broad coverage. Documentary information was important for providing factual information and an overview of the key issues governments were working on, as well as evidence on intergovernmental directions and intentions. Of key importance was judging who was involved in the production and release of a document, including whether it represented a single government's direction or was the product of intergovernmental negotiation.

The use of documents is impacted by whether they are publicly available, knowing whether they exist at all, and how to find them. Certainly the author's previous work

experience in intergovernmental relations in Canada assisted in knowing what to look for, where to look for it, and its significance. There is a wealth of information on intergovernmental relations in Canada contained in Minister's briefing books for intergovernmental meetings. Unfortunately, this is not public, and the sanitized press release issued at the conclusion of an intergovernmental meeting rarely provides the level of detail needed to gain insight into the issues being examined through this thesis.

An excellent but unexpected source of information on intergovernmental relations emerged from public transcripts of parliamentary committee hearings in both Canada and the United Kingdom. The Scottish Enterprise and Culture Committee planned to undertake an inquiry into employability during 2005-2006, but in the end only took evidence in one hearing in December 2006, examining the Scottish Executive's employability framework. Transcripts from the UK Education and Skills Parliamentary Committee were also informative. Most useful were the detailed minutes of proceedings from the House of Commons Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities in Canada. Between June 2006 and June 2007 this committee held 35 dedicated hearings across Canada on employability, and considered views on such issues as the mobility of workers, seasonal workers, older workers, skilled worker shortages, workplace literacy, and the recognition of foreign credentials. Almost 200 individuals appeared as witnesses, including federal Ministers and officials, as well as stakeholders from across the country. Only a few provincial officials participated. This provided a rich, up to date, and topical data source that was particularly useful in triangulating the information obtained through secondary sources and elite interviews.

It is acknowledged that information obtained from government sources is selective and only as objective as its author. For example, reports produced by civil servants are rarely critical of government action, and are sometimes produced to put a positive spin on an issue. Since website material can be ephemeral, copies were printed and

archived electronically. As much as possible, website information was included in the references to this thesis, in order to ensure the reliability of the research database.

Secondary Sources

Secondary sources were another key resource, including documents and analysis published by academics, research institutes, community, business and labour organizations, and the media. Much of this information was more critical than government sources. The OECD comparative material on local governance, managing across levels of government, and decentralization of labour market policy was especially useful. There was an abundance of secondary sources on intergovernmental relations in Canada, although considerably less at the labour market sector level. Although there was considerable material on devolution in the UK, the intergovernmental material was much more limited. Objectivity was improved when the volume of material increased; when there were only a small number of authors, bias was more of a problem. As a result, secondary sources were used primarily to generate ideas for framing the research and to validate information obtained from other sources.

Direct Observation

Three labour market policy conferences were attended where intergovernmental actors from both orders of government played a leading role. These included a Working Together Conference sponsored by the Centre for Economic and Social Inclusion in Edinburgh in November 2005, a Workplace Training Conference sponsored by Canadian Policy Research Networks in Ottawa in November 2006, and an open seminar on immigration sponsored by Citizenship and Immigration Canada in Edmonton in October 2006. These events provided insight on intergovernmental interaction, particularly in response to questions from the floor.

The prime data source for this research was semi-structured in person elite interviews. Elites can be loosely defined as those with close proximity to power or policy making; they include political representatives, executive officers of organizations and senior state employees (Lilleker 2003, p. 207). Elite interviews were appropriate for this study because the range of individuals possessing the specialized knowledge of the operation of intergovernmental relations in labour market policy was relatively limited, and only selected individuals had particular insight into the issues under investigation.

A total of 77 interviews were undertaken for this study[8] between March 2005 and June 2007— 36 in Canada and 40 in the United Kingdom. One was undertaken in Brussels. The interviews consisted of a series of open-ended questions and averaged an hour in length. Fifty-six were with civil servants or ex-civil servants: the rest were with stakeholders or experts external to government. A full list of those interviewed by title and location is attached as Appendix 1. Those interviewed were initially chosen on the advice of key participants known to be involved with intergovernmental labour market issues in each country, and efforts were made to talk to people at the most senior level. In Canada there are dedicated intergovernmental specialists in labour market policy, as well as officials at the centre who oversee intergovernmental relations, so contacts here were essential. In the UK, during the period of this research, there were no intergovernmental specialists in labour market policy, but officials at the centre were interviewed.

After identifying key officials, a snowball sample was generated based upon respondent's suggestions as to who else ought to be interviewed, including key informants external to the governments involved. Although initially approached, Ministers in both countries declined to be interviewed. As the study progressed and it became clearer that this was a study of intergovernmental *administrative* relations,

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[8] In addition, the author was able to call on notes from interviews undertaken in the provinces of British Columbia and Ontario in 2002/03 for an unpublished study on policy coherence.

their absence was not felt to be critical, as officials were able to provide insight into the political dimensions of intergovernmental relations. One Canadian Member of Parliament was interviewed, and provided valuable insight into intergovernmental issues raised through the Canadian Employability Study.

The strengths of interviewing as a data collection technique is that it provides insight and perception that is directly related to the research questions and can answer 'how' and 'why' questions: the weakness is the bias of the informant and inaccuracy due to poor recall (Yin 1994, p. 80). Civil servants in particular may feel that they need to stick to the 'party line', papering over differences between governments. This is especially the case in intergovernmental relations, given its traditional secrecy and sensitivity. As a result, some of the most important insights came from former civil servants, who no longer felt these same constraints. Access was gained through personal contacts and e-mail, explaining the nature of the research and their particular contribution. There were very few occasions where interviews were refused, and only a handful where there was no response. Timing and availability were the key issues. After agreeing to the interview each respondent was sent a draft agenda customized to their role but which nevertheless provided a template for ease of comparison. This allowed respondents to answer on their own terms. Confidentiality was a key issue and respondents were assured that quotes were non-attributable. A consent agreement was obtained in writing, also authorizing taping of the interview.

Data Analysis

Although the use of a computer-assisted data analysis system was considered, it was rejected after courses demonstrated that analysis could just as easily be done through more traditional methods. In terms of the interview data, the first stage of analysis involved a careful reading of the interview transcripts. Data reduction and analysis was then undertaken by reviewing the data against the analytical framework to construct categories and themes, a circular or spiral process involving describing, classifying and connecting (Dey 1993, p. 44-45). The data was then coded according

to the data categories as outlined in Appendix 2. These categories were extracted from the analytical framework. Analysis involved searching for understanding of respondent's words, and relating these to the pre-selected categories.

The documentary sources and the transcripts from the Canadian Employability Study were also coded against the analytical framework. This material required significant reduction before coding because of its generality. Transcripts were reviewed and comments related to intergovernmental relations were extracted and copied into a separate document. This was reviewed for themes relevant to this research and then coded.

The analytical framework which will be outlined in detail in Chapter Two was used as the basis of analysis for each of the case study countries, as well as in their ultimate comparison and the answering of the research questions. This analytical framework was developed early on in the thesis, and although refined, did not change substantially throughout the period of research. Government and secondary documentary sources, as well as interview data were critical to answering the first and second research question, regarding differences in intergovernmental relations between the two countries. The third research question relating to the character and workability of intergovernmental relations in each country was answered almost exclusively on the basis of interview information.

Triangulation is the combination of several sources of evidence, and is particularly important in case study research (Yin 2003). It allows for converging lines of inquiry, making any conclusions more convincing and accurate. Not only were attempts made to triangulate between data sources (interviews, government documents, participant observation), triangulation was also done between respondents. Perspectives on the same issue were sought from intergovernmental actors working at the centre and for the sub-state government in each country. Differences were not reconciled, but provided instead a fuller understanding.

Ensuring Quality and Objectivity

A crucial test of case study design is the extent to which it meets four tests of research validity: construct, internal, external, and reliability (Yin 2003). Figure 1 draws on Yin's criteria to summarize the tactics used for this particular study to ensure validity.

Figure 1: Research Criteria and Tactics

Test	Tactics used to meet this criteria
Construct Validity: *establishing correct operational procedures for the concepts being studied*	• Used multiple sources of evidence • Defined concepts and terms clearly • Established a chain of evidence • Used a standard analytical framework
Internal Validity: *establishing a causal relationship*	• Identified patterns across the cases • Sought multiple views on same issue • Used additional embedded units as a source of understanding
External Validity: *establishing the domain to which a study's findings can be generalized*	• Used replication logic across the governments studied
Reliability: *demonstrating that the data collection procedures can be repeated with the same results*	• Documented procedures • Developed a case study database • Developed criteria for assessment

To assess quality in social policy research, Becker, Bryman and Sempick (2006) also suggest that *credibility* (the extent to which a set of findings are believable) and *confirmability* (the extent to which the researcher has not allowed personal values to intrude to an excessive degree) are important additional criteria. When it comes to cross-national research, the methods and data have to be genuinely comparable, there needs to be sensitivity to the cultural and policy contexts, and researchers need to ensure that there is no bias in the research instruments.

The use of an analytical framework for gathering the data and analyzing the research within each country and across the two case study countries was the key instrument used to ensure that this research was credible and genuinely comparable. In addition to the framework, key concepts such as the actors involved, the policy area being studied, the time period being covered, and the criteria used to judge character and

workability were carefully delineated to ensure that like was being compared to like. In terms of sensitivity to cultural and policy contexts, as a Canadian the author was already familiar with the Canadian political system and norms, but unfamiliar with how similar issues were managed in the UK. To compensate, the author took up residence in Scotland for most of the period of this research. This provided access to media and citizen accounts of events, and improved understanding of the UK political system and government approach to both devolution and labour market policy.

In case study research the researcher is the source of many errors, allowing equivocal or biased views to influence the findings and outcomes (Peters 1998, p. 154). The possibility of bias in this research could be anticipated, given the author's previous work experience for a sub-state government in Canada. For example, the significant centralization of labour market policy in the UK seemed particularly foreign. Having represented provincial concerns in federal-provincial discussions, a view which assumed that the Government of Canada was in control and superior to provinces did not sit comfortably. To deal with this bias, a wide variety of views on intergovernmental relations in Canada were solicited, especially those of civil servants, stakeholders and experts at the centre. In the UK, officials were specifically asked to reflect on why national equity as a central organizing principle of the UK welfare state was so important.

Thesis Outline

This concludes the introductory section of this thesis. The research questions have been identified, the country comparators and sub-state governments selected, and the research design and methods outlined. The rest of this thesis unfolds as follows.

Chapter *Two* outlines the theoretical approach chosen, reviews the literature on intergovernmental relations, and explains the analytical framework developed for comparing the two countries, and on which the subsequent empirical analysis is based. It also provides a detailed overview of the concept of *workability*, the criteria chosen to assess intergovernmental performance.

Chapter *Three* examines the social, constitutional, political, and institutional structures in Canada and the United Kingdom and considers how these have shaped the intergovernmental power dynamics in each country. Although some attention was paid to history, the prime emphasis is on the post-devolution period.

Chapters *Four and Five* present the empirical examination of the Canadian case study. Chapter Four examines three key elements: the interests, expectations, values, experiences and capacity of the intergovernmental administrative actors; the influence of other actors external to government; and the specific dynamics of the labour market policy domain (history, competence, complexity, issues and intergovernmental machinery). Chapter Five assesses the power relationship dynamic between governments in Canada between 1996 and 2006, using the concepts of interdependence and hierarchy, mitigated by how the intergovernmental structures and machinery were used. Based on this information, the character and workability of the intergovernmental relations system in labour market policy is assessed based on the presence or absence of 'trust ties' between officials. This results in an assessment of high, medium, or low workability in intergovernmental relations.

Chapters *Six and Seven* deal with the British case study, using the same parameters as outlined for the Canadian case study. The chapter also highlights key differences in the policy domain, including a much shorter historical period of domestic multilevel governance, and the influence of a significant actor not found in Canada- the European Union.

Chapter *Eight* pulls together the case study analyses and compares the two countries, focusing in particular on their differences. It also responds directly to the research questions. The final section of the chapter looks to the future to consider political developments in 2007 and beyond. The chapter concludes with a discussion of whether what has been learned about intergovernmental relations in labour market policy in Canada and the UK might more broadly be applied to intergovernmental relations elsewhere.

CHAPTER 2: UNDERSTANDING INTERGOVERNMENTAL RELATIONS

> *Institutions are more important than people. But only people, with the necessary strength and power, can transform and enrich those elements which the institutions pass onto succeeding generations (Jean Monnet[9] as quoted in Pierce 1996).*

Chapter One outlined the aims and objectives of this research, identified the research questions, justified the selection of the countries to be compared, and provided further details to frame the research. The research design, methods utilized, and the criteria established to judge the quality and objectivity of the research were also detailed.

The primary purpose of this chapter is to outline the theoretical approach to the research, review the relevant intergovernmental relations literature, and identify an analytical framework for assessing and explaining intergovernmental relations within the two case study countries. Having a detailed and consistent analytical framework is important as it will also be used for undertaking the comparison between the two countries and answering the research questions.

The chapter starts with an overview of the actor-centered institutional approach, the theoretical basis chosen for this study. This considers the importance of both actors and institutions in the decision making process, and how these intersect to control political events. The significance of history is also highlighted.

The intergovernmental relations literature is explored next, organized around the considerations of who, what, why, when, and how, especially as these relate to the case study countries. In this context there is a detailed discussion of the concept of 'executive federalism' and how it applies to both Canada and the United Kingdom. The final section of the literature review provides a synthesis of approaches used by various authors to assess intergovernmental relations in a variety of country contexts.

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[9] Jean Monnet is considered the founding father of the European Community.

Drawing on this literature, the chapter outlines in some detail the analytical framework developed for this study. Placing intergovernmental administrative actors at the centre, this analytical framework considers the impact of institutions (the country and policy domain context) and the role of actors external to government on the power relationship dynamic between centre and sub-state governments. The framework also considers factors which influence the power relationship dynamic, and how these in turn determine the character and workability of intergovernmental relations. The chapter concludes with a detailed discussion of the concept of workability, used to assess intergovernmental performance in this research. Workability focuses on the process and handling of interaction between governments, as opposed to policy outcomes.

An Actor-centered Institutional Approach

A key consideration of the political decision making process is determining what motivates political and administrative actors. The behavioral and rational choice approaches to political theory assume individuals act autonomously, are free from the constraints of institutions, and act based on their individual values or calculations of utility. March and Olsen were the first to challenge this approach and to highlight the importance of institutions:

> *In their view, institutions have a 'logic of appropriateness' that is transmitted to their members and which those members in turn use to structure their own behavior (Peters 1998, p. 122).*

There are a variety of institutional approaches, but at the core is the view that institutions structure social and political relationships and socialize those working within them to their values, norms, and practices. Peters suggests that an institution must have a structure (either formal or informal), it transcends individuals to involve groups of individuals, it is stable over time, it must affect or constrain behavior, and there is a sense of shared values and meaning among the members (Peters 2000, p. 18). Institutions operate in a partial and select fashion, whereby some institutions are engaged while others are excluded. According to Hall (1986), institutional frameworks establish a hierarchy of power among actors, which determines the degree of power they exert over decision-making and its outcomes. The institutional

position of actors influences the definition of their interests, responsibilities, and relationships[10]. Institutions also specify who may legitimately participate in a relationship and how participants should conduct themselves. In the context of this study, relevant institutions included government departments and agencies, policy networks, political parties, advisory groups, and intergovernmental committees.

Historical institutionalism has particular relevance, given that this study focuses on two federal political systems operating under British parliamentary traditions with a long evolutionary history. In this approach not only do institutions matter, but history also matters, for the reason that both the institutions and preferences of actors are framed by the past (Rothstein and Steinmo 2002). This is particularly relevant to any understanding of relations between the centre and sub-states, as any tensions are part of early relationships and adaptations made over time. Historical institutionalism also suggests that once institutional choices are made, the patterns created will tend to persist (Peters 1999, p. 64). Without other forces, inertia arises and institutions evolve in an incremental, 'path dependent' way. While path dependency does not imply determinacy, it does suggest that the range of possible future choices is constrained by initial choices. It also implies that directions chosen are those that exhibit positive feedback, with each step in a particular direction making it more difficult to reverse course (Pierson 2004, p. 21).

Although historical institutionalism was considered relevant, it could not explain or could not have predicted the institutional changes that came about through devolution in the two case study countries. As a result, historical institutionalism needed to be supplemented by an approach that also looked at how political actors interact with institutions. Scharpf (1997) developed an actor-centered institutional approach, looking at how the perceptions, interests, and behavioural patterns of actors within a particular policy area were shaped by institutions. In this model, while actor attitudes and behaviour may to some extent be determined by norms, rules, regulations, and constitutions, these can be altered by purposive action or as a

[10]For example, the institutional context in Canada for an actor working in a line department within a provincial government (Alberta Human Resources and Employment) is very different from that of an actor working in a central department at the centre (with the Privy Council Office in Ottawa).

result of unintended consequences of decisions within a specific domain. Marks used a similar approach to assess multilevel governance in the European Union. In his view, although states provide institutional contexts in which human beings pursue their goals, actors can change the rules to those that might suit them better. He makes the following distinction between institutional rules and political actors:

> *In this conception, institutions do not think, have preferences or act, but are sets of commonly accepted formal and informal norms that constrain political actors (individuals and groups of individuals), who are the only agents capable of goal oriented action (Marks 1997, p. 22).*

For Marks, intergovernmental relations represent negotiations among political and administrative actors representing the state rather than negotiations among states. These actors have their own interests, expectations, and values constrained to varying degrees by their particular institutional context. As Anderson suggested in 1960:

> *It is human beings clothed with office who are the real determiners of what the relations between units of government will be. Consequently, the concept of intergovernmental relations necessarily has to be formulated largely in terms of human relations and human behaviour (Anderson 1960, p. 3).*

Any human interaction must consider the players, their strategies, and the payoffs. Adopting Scharpf's terminology, the theoretical approach selected for this research is actor-centered institutionalism. Rather than institutions being identified as the structuring factor, this approach places actors and human interaction at the centre. Actor's views are significantly shaped by the norms and constraints of the overall institutional context in which they work, by the order or level of government to which they owe their loyalty, and by their place within that government. Their views are also shaped by the historical context in which they operate; as a result, each case study includes a historical perspective. But this was not enough: since this study was about relationships and it is people (not states) that form relationships, the political actor's personal experiences, as well as their interests, values, expectations, and capacity were also taken into account.

Essential Features of Intergovernmental Relations

Chapter One provided some preliminary information on intergovernmental relations. This next section provides a more detailed overview.

What is It?

Nation states are territorially bound, and within each nation state territory further defines a citizen's political, economic and social life. Territorial spheres of government operate within a single polity, affecting the same citizens as the nation state. Intergovernmental relations connect these spheres of government; at its most basic conception, intergovernmental relations can be defined as "an important body of activities or interactions occurring between government units of all types and levels" (Anderson 1960, p. 3). The term originated in the 1930s in the United States with the advent of the New Deal, the federal government's massive effort to combat the Great Depression. Intergovernmental relations are the hidden dimension of government, and at its roots are concerns with how concrete programs get conceived and delivered (Wright 1982).

> *Intergovernmental relations operates at the interface between what the constitution provides and what the practical reality of the country requires...it is the 'workhorse' of any federal system- the privileged instrument by which the job—any job—gets done (Cameron 2001, p. 121).*

The term intergovernmental relations is often used as a substitute for *federalism*. Speaking from an American perspective, Wright identifies that federalism emphasizes national-state relationships, whereas the concept of intergovernmental relations is much broader, encompassing not only national-state and interstate relations, but also national-local, state-local, national-state-local and interlocal relations. In the 1970s, the term *intergovernmental management* emerged, focused on problem solving, coping capabilities, and networking among policy professionals (Wright 1990, p. 170). Johns, O'Reilly, and Inwood (2006) drew upon this classification to differentiate between intergovernmental relations (focused on the interaction between administrative officials working in intergovernmental Ministries

and central agencies in Canada) and intergovernmental management (focused on the interaction between policy area professionals and intergovernmental specialists). Although this thesis does indeed focus on the interactions between policy area professionals and intergovernmental specialists (as opposed to central officials), the term intergovernmental relations is used throughout, as this was the term used by those directly involved.

Who is Involved?

Determining which actors play a key intergovernmental role is significantly shaped by a country's unique constitutional and political context. However, the literature provides consistent themes in this regard. In 1989, Watts undertook a comparative analysis of nine parliamentary and non-parliamentary federations and concluded that, in all of the parliamentary federations examined, the locus for intergovernmental consultation and negotiation was between executives (and their representatives) within each government. In federal political systems using a separation of powers model (such as the United States), inter-institutional relations are dispersed, and members of both the executive and legislative branches in both orders of government interact in a web of relationships, including through second chambers such as Senates. In contrast, in federal political systems featuring a fusion of powers model (such as Canada's and the UK's), power is concentrated in the executive, that is, in the elected and appointed officials of both orders of government[11].

This concentration of power in the executives of each order of government has been dubbed *executive federalism*, and is a dominant feature of intergovernmental relations in Canada and the United Kingdom. Almost all government business in these countries gets done through executive federalism, from the harmonization of environmental, security, trade or labour standards to the implementation of international commitments; from ensuring access to similar health, education and

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[11] For example, in the United States the chief executive (the President) is elected independently from the members of the legislature; the defeat of legislation proposed by the President does not result in the dismissal of government. In parliamentary systems the executive does not have an independent mandate but relies upon the maintenance of its parliamentary majority.

social services across the country to deciding on amendments to the constitution. Fiscal issues involving how money is raised and shared between the component parts of a country are at the core of intergovernmental relations. Depending on the issue, the actors involved include elected First Ministers and Cabinet Ministers from each order of government, as well as the senior civil servants who support them. These civil servants range from intergovernmental specialists to policy or program professionals. What is noteworthy about this executive dominance of intergovernmental relations in parliamentary federations is that it leaves a minimal role for legislatures, because Prime Ministers and Ministers can conclude deals with each other that are binding on their governments, without having to return to their respective legislatures. Executive dominance also leaves a minimal role for the judiciary and citizenry.

The concept of executive federalism has come under extreme criticism in Canada as contributing to undue secrecy, a low level of participation by citizens, legislatures, and political parties (sometimes identified as the 'democratic deficit'), weakened government accountability, and intergovernmental conflict (Brock 2003). This criticism came to a pinnacle in 1987 around the Meech Lake Accord, where constitutional changes to accommodate Quebec took place largely in secret, public mobilization was carefully avoided, and decisions were made by 11 First Ministers—all men— making a deal, under extraordinary pressure, behind closed doors (Simeon 1988). Ultimately, the accord was defeated by two provincial legislatures, brought down by the process of 'executive federalism', as well as the substance of the proposed constitutional changes.

Despite this criticism, in the ensuing 20 years little has changed in Canada; instead, accommodation through executive federalism has moved back to non-constitutional techniques (Brock 2003). Executive-dominated relations also appear to be a feature of the emerging intergovernmental relations system in the United Kingdom. In a detailed examination, Horgan concluded that the marriage of UK cabinet-parliamentary traditions with shared governance makes executive focused inter-institutional relations inevitable, despite the desire of the Scottish Parliament to be

more democratic through open parliamentary committees. Even though there are greater consensual elements in the legislatures of the devolved administrations, in his view these have not moderated the exclusivity characteristic of executive-focused intergovernmental relations (Horgan 2003).

Why Do Governments Interact?

Interdependence is ever present in a federal political system with concurrent authority. Even in systems with divided authority, where much of what governments do is done independently, there are some areas and some issues where entanglement, overlap, and interdependence are inevitable, either through funding, administration, or because of the 'transversal' nature of the policy area.

There are a variety of reasons why governments need to interact because of their interdependence. These include: 1) to shape a policy direction together either strategically or operationally in order to solve an agreed-upon problem, because neither government has the necessary constitutional powers or financial resources; 2) to implement or uphold a policy direction and account for action; 3) to exchange information for policy learning; 4) to prevent surprises from unilateral action or to adjust actions; 5) to share resources to act in a mutually beneficial way to achieve common goals; 6) to coordinate action to ensure overall coherence and harmonization, to clarify roles and responsibilities and reduce overlap and duplication; 7) to influence behavior or persuade a party to act in a certain way; 8) to challenge the behavior and action of a party; 9) to prevent certain actions and subsequent negative consequences; 10) to protect or advance jurisdiction; or 11) to resolve conflicts and disputes. Many (but not all) of these intergovernmental objectives are motivated by a strong concern for the effective delivery of public services to citizens.

Interdependence is not the only reason why governments need to connect. Agranoff (2004) suggests that intergovernmental relations also provide a mechanism for broader political accommodation not adequately achieved through existing

institutions (including parliaments and political parties), as well as the foundation whereby the autonomy of sub-state governments to govern themselves is facilitated. This requires a reasonable measure of political strength on the part of the sub-state government, as well as willingness by the centre to accommodate these interests. Without a meaningful intergovernmental relations system that respects self-rule and power-sharing, the political system would tip over into a unitary system.

Borzel provides an example of the importance of intergovernmental relations in her examination of the impact of Europeanization on cooperation and competition between the 17 autonomous communities and the centre in Spain. In her assessment, Europeanization drove the emergence of multilateral cooperation when the autonomous communities realized that they seriously risked losing competencies through their uncompromising behaviour. As a result, multilateral intergovernmental cooperation in the 23 sectoral conferences in Spain is more effective around European issues than on domestic issues (Borzel 2000, p. 41).

When Do Governments Interact?

Interaction between governments is continuous and handled on an ongoing basis by a wide variety of politicians and officials working at various levels and in different policy areas of their respective organizations. In examining intergovernmental relations in the United States in the 1980s, Wright concluded that there were nearly 80,000 governmental units, governed by almost half a million popularly elected officials (Wright 1982, p. 11). This points to how intergovernmental relations are structured. Government-to-government relations at the nation and sub-state level can be conceptualized as *multilateral,* involving all of the sub-state governments and the central government or just all of the sub-state governments[12]; *regional,* involving only some of the sub-state governments, with or without the central government; or *bilateral,* involving the central government and one of the sub-state governments or two of the sub-state governments working together. As previously mentioned, intergovernmental interaction within the scope of this research takes place between

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[12] In Canada, the former is called federal-provincial while the latter is called interprovincial.

14 governments in Canada, while in the UK it takes place between four. Each government divides its work by policy area into different departmental structures, making for a substantial amount of intergovernmental traffic. Every day there are countless interactions between governments on a continuing basis over a wide range of issues.

How is the Interaction Managed?

When comparing intergovernmental relations between countries, some key dimensions are structures, intergovernmental machinery and dispute resolution techniques. Intergovernmental machinery varies by the degree to which it is institutionalized (i.e., formal or informal), the extent to which it is decision-making in character, and the degree to which deliberations are open and transparent (Cameron 2001).

There are a variety of mechanisms used to manage intergovernmental interaction. Executive mechanisms include informal contacts between officials through telephone calls, fax, e-mails and letters; unstructured encounters among politicians and officials; formal meetings, committees, and conferences between officials and Ministers; high profile summit meetings of First Ministers, as well as written agreements between governments.

The most basic form of intergovernmental relations is voluntary mutual adjustment or ad hoc coordination through informal means. This does not require regular meetings, a bureaucratic structure or decision-making rules, and allows for maximum flexibility and autonomy of the participating partners. Informal mechanisms are important for exchanging views and information, and have been found to contribute to the development of the mutual trust and respect necessary for effective collaboration (interview with Canadian federal official November 7, 2006). On the other hand, more formal mechanisms provide a more rigorous approach that 'routinizes' the interaction and is more reliable. Noël (2001, p. 13) suggests that establishing institutional rules mitigates power, and may be more constraining on the

central government, the actor least likely to demand formal constraints. Reflecting on the Canadian experience, in his view the federal government in Canada uses their power to cultivate uncertainty by deliberately *not* putting formal intergovernmental institutional structures in place.

Greater formality or institutionalization becomes more of a norm in multilateral relations, because there is greater complexity. Dennison (2005) suggests that the following variables in ascending order can contribute to the institutionalization of intergovernmental relations and make intergovernmental relations more fruitful: an established pattern of meetings, shared or rotating chairmanship, a permanent secretariat, a funding formula, a founding agreement, legal incorporation, establishment by common legislation, and constitutional entrenchment. Bolleyer (2006a, p. 4) identified similar criteria but also added the density of contacts, majority rule, and internal functional differentiation (specification of offices and specification of sub-units). Greater institutionalization does not imply greater compromise and consensus; according to Simmons (2004, p. 287), the more important factors at play are the will of governments, the personalities of the intergovernmental actors, and the developments and pressures external to the intergovernmental deliberations.

Depending upon their purpose, governments will select different institutional structures, as well as different strategies and tactics. Strategies involve choices about which arenas to use (the courts, Ministerial meetings, political parties, quiet diplomacy), and whether the issue will be pursued on a bilateral or multilateral basis (Bakvis, Baier, and Brown 2005). With bilateral relationships there are fewer players and resolution may be easier; on the other hand bilateral relationships between the centre and one sub-state government may arouse envy and resentment from other sub-state governments. Some issues cannot be solved through bilateral negotiations because of their spillover impacts on other sub-state governments or because they are considered as issues of national importance. Securing multilateral agreement is also more difficult; as a result, forming an alliance or coalition between sub-state governments is a strategy which assumes that a united front will put pressure on the

central government. This is frequently attempted in the Canadian context, and federal-provincial meetings are often preceded by meetings that involve just provincial governments.

Dispute resolution techniques in intergovernmental relations range from informal through political channels, to dispute avoidance through meetings and agreements, to judicial resolution through the courts, to using the electoral system (Crommelin 2001).

In examining the relationship between the institutionalism of intergovernmental relations and decision-making rules Bolleyer (2006b, p. 393) noted that:

> *A core feature of strong institutionalization of intergovernmental relations is a formal decision-making rule which deviates from unanimity because the capacity to bind the sub-states to common positions or plans to which they do not agree demonstrates that [intergovernmental relations] is thought to represent more than the sum of its parts.*

There are a variety of decision-making rules in intergovernmental relations. Some require the consent of all participants, effectively giving each government a veto; others require qualified or simple majorities. Occasionally the votes of all the sub-states are weighted according to regional population; sometimes they all count the same. Another approach is to allow sub-states to opt out, allowing the other sub-states to proceed without requiring unanimity. Aside from the decision-making rules, the impact of intergovernmental decisions varies from one country to another. For example, in Canada the most common decision making rule is consensus and generally regions can opt out if they are not satisfied with collective decisions. In the United Kingdom, the decision rule is hierarchy, with the UK Government in the dominant role. In Switzerland, the decision-making rule varies across sectors from majority rule to unanimity. When a Conference of Cantonal Directors fights over responsibilities, the Conference of Cantonal Executives is responsible for conflict resolution (Bolleyer 2006a, p. 20). Although the European Union has an extremely complex decision-making process that includes unanimity and qualified majority voting, there is a highly ingrained culture of consensus (Cini 2002, p. 156).

A final consideration is the degree of secrecy or transparency in intergovernmental relations. This applies in particular to inter-ministerial conferences when decisions are taken that are binding on all parties. Often this requires bargaining and trade offs which may only be possible behind closed doors. However, not only does this reduce citizen understanding of the process of government, agreements are presented as 'fait accompli', which can erode the legitimacy of parliamentary institutions.

This review of the intergovernmental relations literature has provided insight into who is involved in intergovernmental relations, why and when governments connect, the arenas utilized, and the structures employed. These considerations vary from one country to another. This raises the question as to how intergovernmental relations can be organized so that comparisons and assessments can be made, as without some sort of organizing framework an analysis will be more descriptive than analytical. The next section of this chapter provides a synthesis of how various academics have approached assessing intergovernmental relations. It focuses primarily on the Canadian, British, and European literature due to the insight this provides into the case study countries.

Assessing Intergovernmental Relations

One of the seminal case studies assessing intergovernmental relations in Canada was undertaken by Simeon in relation to the federal-provincial process that led to pension, equalization, and constitutional reform in the 1960s and 1970s. For his purposes he developed the following approach to organizing his material:

> *There is a set of interdependent actors, or partisans; they operate within a certain social and institutional environment; they share some goals but differ on others—it is a mixed motive game; they have an issue or set of issues on which they must negotiate; none has hierarchical control over the other; they have varying political resources; they use these political resources in certain strategies and tactics; they arrive at certain outcomes; and these outcomes have consequences for themselves, for other groups in society and for the system itself. The problem now becomes how each of these elements is related to the others, and how together they provide a 'satisfying' explanation of the adjustment process (Simeon 1972, p. 11-12).*

Simeon concluded that the pattern of intergovernmental decision making resulted from the interaction of three factors: the social and cultural setting; the institutional and constitutional framework; and the goals, attitudes, and behavior of actors in relation to the demands facing the system.

Drawing on Simeon's work, Bakvis, Baier, and Brown (2005) identified the following elements for understanding a given set of intergovernmental negotiations in a Canadian context: actors (whether negotiators are with central or line departments); issues (their salience and divisiveness); interests, goals and objectives (these can vary between and within governments and over time); strategies and tactics (the use of courts, alliances, media); resources (jurisdiction, staff expertise and capacity, fiscal freedom to decline federal funding, public opinion); arenas (courts, formal or informal meetings); interactions (multilateral or bilateral); and outcomes (what happened?). Not only does this update Simeon's work, it draws on more recent work on bargaining, as well as the literature on negotiation, strategy, and policy making.

Trench has undertaken extensive work on intergovernmental relations in the devolved UK, writing annually about the developing intergovernmental relations system in the <u>State of the Nations</u> volumes, published by University College London (Hazell and Trench 2000, 2001, 2002, 2003, 2004, 2005). Reflecting over time on the complexity of assessing intergovernmental relations, he ultimately considered the following factors as key: the Constitution, the mechanics and processes of intergovernmental relations, the courts, political parties, and the impact on democracy. Despite the difficulty in making sense of intergovernmental relations theoretically, he concluded that it works in substantially similar ways in many, if not most, federal systems (Trench 2006).

The academic literature has paid particular attention to the significance of two key concepts impacting power relationships between governments. These are the degree of *hierarchy* and the degree of *interdependence* between governments. The key concept behind interdependence is the need to exchange *resources*. Working before

devolution when the only intergovernmental relationship in the United Kingdom was between national and local governments, Rhodes developed a 'power-dependence' model of intergovernmental relations (1981). Here, the availability, distribution, and substitutability of resources underpin the power-dependence relationship, as these are central to the relative power of the interacting organizations. He defined 'resources' broadly to include *money* (financial resources from taxes, charges, or borrowing); *authority* (mandatory or discretionary right to carry out the function); *political* (legitimacy from elections); *information* (possession of data and control over its collection or dissemination); and *organization* (possession of people, skills, lands and buildings) (Rhodes 1986, p. 17). For Simeon (1972), all resources were political, and he identified these as legal authority, political support, skills and expertise, objective information, size and wealth, procedures and rules of the game. Neither mentioned *public opinion,* a very important resource.

When studying inter-organizational interactions in Europe, Scharpf postulated that all durable interactive relationships, including those with hierarchical authority, were based on power and the exchange of resources, even when the exchange relationship was of advantage to only one of the partners, as it could include the avoidance of an evil which would otherwise be inflicted (Scharpf 1978, p. 354). Like Rhodes, he asserted that interactions between governments were motivated by the need to obtain scarce resources and that the key factors influencing this were the importance of the resource and whether or not it could be substituted. He placed relationships into a typology characterized as mutual dependence, mutual independence, or unilateral dependence. Situations of mutual dependence presented opportunities for the application of influence, and those of unilateral dependence facilitated policy coordination:

> *Even when a dominant party may exercise hierarchical authority or control over monetary resources, it may, at the same time, be fully dependent on the specialist skills, the clientele contacts and the information available only to subordinate units (Scharpf 1978, p. 359).*

A similar framework for assessing power in intergovernmental relations comes from Lazar and McIntosh in Canada (1998). Wishing to assess the kinds of intergovernmental regimes that prevailed in three specific social policy sectors

(health, disability and labour market), they developed a typology with reference to the extent to which the intergovernmental relationship entailed either independence or *interdependence,* and the extent to which a *hierarchical* relationship prevailed. Like Rhodes and Scharpf, they identified the need to exchange resources as being at the heart of interdependence, while hierarchy related to the degree to which governments were sovereign and free to act in their jurisdiction.

The literature also identified a wide variety of terms used over time to characterize or describe intergovernmental relations, especially in federal systems. Watts' (2006) concepts of cooperative and competitive federalism and its historical development are relevant. After the post-war reconstruction periods, the classical federations (the United States, Switzerland, Canada, and Australia) moved from the 'dual federalism' of separate general and territorial governments to 'cooperative' federalism where government activities became increasingly intermingled. The term 'cooperative' has a positive connotation, involving words like communication, coordination, collaboration and consultation. But it also implies domination by central governments. In Canada the period of 'cooperative federalism' during the 1950s built the Canadian welfare state, with most policy design ideas and funding coming from Ottawa.

Many academics criticized this period of cooperative federalism, suggesting that it undermined democratic accountability, led to 'joint decision traps', constrained the role of legislatures, and negatively impacted on the autonomy of sub-state governments because central governments, with their superior financial resources, came to dominate the process (Breton 1985, Scharpf 1988, Watts 1989, Kincaid 1990, as referenced in Watts 2006). Instead, a more 'competitive' federalism was advocated, with a greater emphasis upon autonomy and competition between individual governments.

While Cameron and Simeon agreed that intergovernmental relations in Canada were cooperative in the 1950s and became competitive in the 1970s, in their view, in the 21st century intergovernmental relations have moved into a phase they call

'collaborative'. Here, national goals are achieved, not by the central government acting alone or by the central government shaping provincial behavior through its spending power, but by some or all governments acting collectively (Cameron and Simeon 2002, p. 54). In their view, the key characteristic of collaborative intergovernmental relations is the notion of equality between governments. A more recent concept is 'deliberative' federalism. Core elements of the deliberative approach involve close collaboration among governments, supplemented by agreements with social groups and associations that allow them to directly engage in all stages of policy making (Prince 2006).

A final consideration in assessing intergovernmental relations is how it impacts governance. Having more than one order of government responsible for a policy area increases complexity and has governance consequences. Governance is the process whereby societies or organizations make their important decisions, determine who they involve, and how they render account (Plumptre 2005). Governance is not synonymous with government, and in the case of labour market policy during the period of this research, central and sub-state governments in Canada and the United Kingdom were not the only actors involved. However, governments play a key role in setting [labour market] goals and priorities and putting mechanisms in place to coordinate resources to support the pursuit of these goals (Pierre and Peters 2000, p. 78).

Lazar and McIntosh (1998) assessed intergovernmental regimes using public interest as their governance criteria. They selected three variables: policy, democracy and federalism. Bakvis and Skogstad (2002) used performance, effectiveness, and legitimacy to assess the Canadian federal system. Watts (2006) used democratic accountability, effective governance in the development of policies, the preservation of diversity through genuine autonomy for the constituent units, and ensuring continued cohesion and stability of the political system.

From this review of the literature, a number of themes emerge to assess intergovernmental relations in the context of this research. These include the context

in which intergovernmental relations operates (factors such as the social, political, constitutional and institutional structures in each country); the need to focus on actors and their goals, perceptions and attitudes; the significance of power relationships; the balance between cooperative, competitive and collaborative relationships; and that assessing intergovernmental relations needs to consider governance concepts such as performance, effectiveness, legitimacy, and democracy.

None of the frameworks as presented above were considered suitable in themselves for this particular thesis. Some assessed intergovernmental relations factors but did not focus on governance (Simeon, Rhodes, Scharpf, Trench). The Bakvis, Watts and Lazar frameworks, while useful in assessing governance, did not provide enough detail, could not be readily translated outside of their Canadian context, and neglected important considerations such as the social and political context. The analytical framework which follows draws upon this literature and thinking, but has been developed to address this particular thesis and the research questions outlined in Chapter One.

Framework for Analysis

The purpose of an analytical framework is to identify and classify the elements and key features to be explored through a body of research. The analytical framework for this thesis is depicted below and described in the pages that follow.

Figure 2: Intergovernmental Analytical Framework
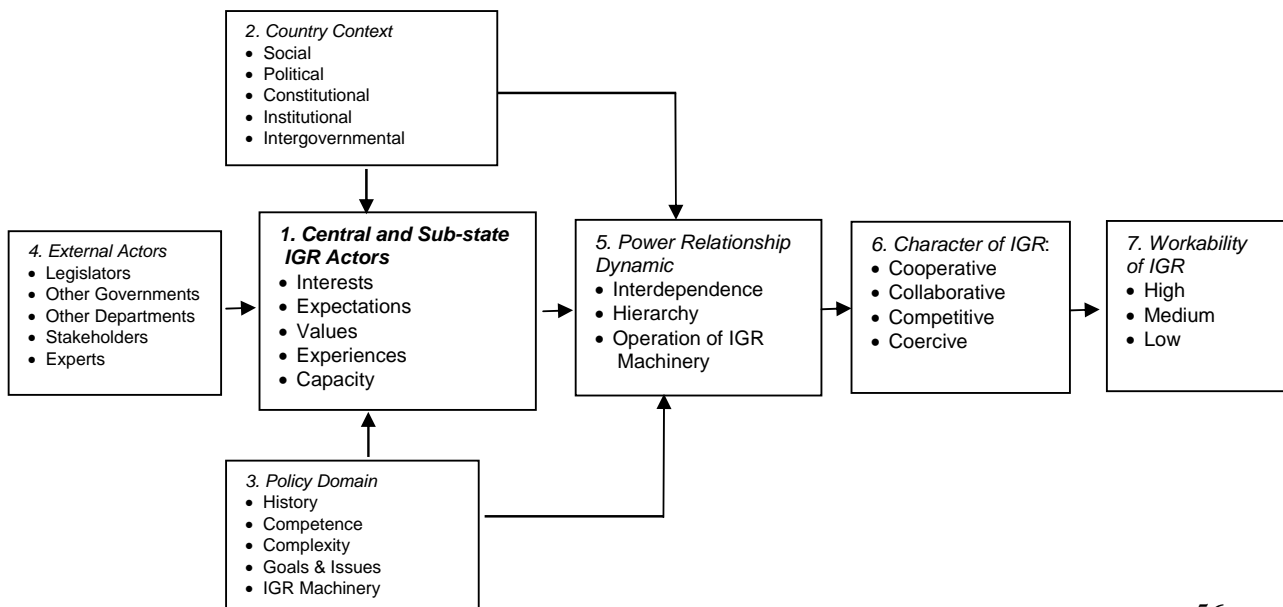
1. Central and Sub-state Intergovernmental Actors

Drawing on the actor-centered institutional approach outlined earlier in this chapter, administrative actors involved in intergovernmental relations have been placed at the heart of the analytical framework. Given the dominance of executive federalism in Canada and the United Kingdom, the focus of analysis is on civil servants from the line departments of the central and sub-state governments who are involved in labour market policy. Key considerations were to identify who these actors were, who they represented, and what their interests, expectations, values, experiences, and capacity to act were. 'Interests' refers to the stake they have in increasing control over their organization; 'expectations' refers to the behavior expected of them in relation to their particular position in the organization; 'values' refers to the standards they use to interpret their environment and their relationship to it (Rhodes 1981, p. 104). 'Experiences' come from their professional expertise, their historical involvement in the sector and with intergovernmental relations, as well as where they have lived in their country. 'Capacity' takes into account the resources that are available from their government to support labour market policy initiatives.

A key factor influencing intergovernmental actors is how many people are involved and how they relate to each other. This is determined by the number of sub-state units interacting in the intergovernmental policy making process, and whether relationships are bilateral or multilateral.

2. Overall Country Context

The actor-centered institutional approach also highlighted how administrative actors are influenced by the institutional context in which they work. The primary influence is the overall country context of how their society is organized. This includes the constitutional context in terms of ultimate authority; the role and importance of regional identities and the power base of sub-state governments; the relationship between the executive, legislators, and the courts; the impact of parliamentary systems; the role of the party system; citizen expectations in terms of nation-wide

programming; the number, size, and geographic distribution of sub-state units and the degree of asymmetry between units; the financial arrangements between the centre and sub-state governments and sub-state government access to own-source tax revenue; the 'rules of the game' and how these set the limits within which bargaining takes place; the operation of the civil service and its overall reporting relationship, plus any other relevant circumstantial factors (e.g. coalition or minority government, threat of secession). It also includes the norms of the country-wide overarching intergovernmental structure or process that has been developed.

3. Policy Domain

The second institutional influence on intergovernmental administrative actors is rooted in the specific policy sector and includes the historical development of the policy sector over time; the policy levers that have been used by the different orders of government to intervene in this area and their legitimacy to act; the constitutional division of powers and who has the authority to do what; and the institutions that have been put in place to facilitate intergovernmental interaction. These institutions can be formal with written agreements and standing committees, or informal and ad hoc. Of great significance is the nature of the issues that governments are trying to resolve and the complexity of these issues, the forces that are driving resolution within an intergovernmental context, and the overall goals that each government has in the policy area that is driving a need to exchange resources.

4. External Actors

Issue identification and policy goals often come from the third influence on the intergovernmental actors: the views of business, labour unions, educational institutions, voluntary and charitable organizations, service delivery agents, industry trade groups, professional associations, advocacy groups, practitioners, employees, citizens and political parties. Collectively these are identified in this research as 'stakeholders', meaning a party that affects, or can be affected by, government actions. Experts (academics, think tanks, the media, and public-opinion polling

agencies) can also play a significant role. Sometimes the influence of stakeholders and experts is channeled through formal advisory groups: at other times, informal networks prevail. Legislators (including legislative committees), other governments (including local, aboriginal and supranational governments such as the European Union), and other departments within each individual government (especially central agencies responsible for the management of their government's overall intergovernmental relations) also play a key influencing role.

The influence that other actors have on intergovernmental relations varies by policy area. In terms of labour market policy, business and labour groups must be involved to some degree in order for outcomes to meet the needs of workers and employers. Advocacy groups generally become more involved when changes touch on benefit entitlement or when conditionality is applied. Related to the involvement of non-governmental actors is the issue of transparency, and whether intergovernmental relations take place behind closed doors with little in the way of popular knowledge and opportunity for input, or are open to public scrutiny and influence. Citizens and the media are generally less engaged in labour market policy during times of economic prosperity; this contrasts, for example, with health policy which impacts all citizens at all times.

5. Power Relationship Dynamic

The influence that these three overriding factors (and the more detailed variables that have been described) bring to bear on intergovernmental administrative actors was assessed through a process that has been identified in this research as the 'power relationship dynamic'. This was determined by a combination of the degree of interdependence between governments in the specific policy area, the degree of hierarchy, and the operation of the intergovernmental machinery.

Interdependence refers to the requirement of one order of government for actions by another to ensure that policy is successfully developed and implemented (Wilson, McCrea-Logie, and Lazar 2004). As already identified, the key concept is the

exchange of resources. Hierarchy relates to issues of equality, the freedom of governments to act, initiate policy making and operate without fear of oversight, and the degree to which they are sovereign within their own jurisdiction. It also relates to the degree to which governments find themselves cast in a reactive role in terms of issue identification and resolution. A hierarchical system demonstrates the presence of authority, control and compliance, including the use of policy instruments such as accountability frameworks, reporting, inspection and audit.

These factors combined with the actual operation of the intergovernmental relations machinery determine the power relationship dynamic between governments. They also influence the access that stakeholders and others have to the intergovernmental process.

6. Character of the Intergovernmental Relationship

Not all activities that governments undertake are interdependent, and in many areas governments operating independently are the norm. But when interdependence was present, relationships examined through this research were characterized as cooperative, collaborative, competitive or coercive. Given executive dominance in the two case study countries, the possibility of deliberative relationships was eliminated.

Relationships were assessed as *cooperative* when there was evidence that governments were actively working together to coordinate their actions, but central governments dominated. A *collaborative* relationship was non-hierarchical and assumed more equality between the partners in terms of joint decision-making and approaches. Here, parties sought win-win solutions that provided mutual gains for each. Other actors may have been consulted but were not directly involved. A *competitive* pattern of intergovernmental relations was also non-hierarchical, but in this case was characterized by a lack of communication, unilateral action, and a tolerance for win-lose outcomes. Governments may be trying to 'one up' each other with respect to the policy process or outcome; it might also imply incompatibility

between policy objectives (Harrison 2000, p.13-15). Competition between governments is rooted in ideological diversity, difference of interests, and the electoral imperative to gain credit and avoid blame (Simeon 1972). A *coercive* relationship was deemed to occur when governments acted as if they were independent and failed to coordinate their activities, even when the actions of one forced the other to do something without their agreement. This could be a purposeful strategy or just forgetfulness or lack of attention.

7. Workability of the Intergovernmental Relations System

From the literature review, various authors identified a number of factors that could have been used to assess governance in intergovernmental relations for this research. These included outcomes (the extent to which the intergovernmental relations system assisted governments to achieve their policy goals [e.g., reducing unemployment]), democracy (the extent to which the intergovernmental relations system promoted legislative and citizen participation, as well as accountability and transparency), respect for federal values (the extent to which the intergovernmental relations system respected the division of powers and sub-state autonomy) or institutionalization (the extent to which formal intergovernmental structures and processes had been put in place). Although all of these approaches have considerable merit, *workability* as a measure of performance has been chosen as the key criteria for this research. The author was particularly interested in understanding the process by which governments agreed (or not) on the norms, rules and institutions that shaped the manner in which they related to one another and managed their policy differences. Not only had this concern been highlighted in Canada through the work of the Advisory Panel on Fiscal Imbalance (2006), it addressed the author's interest in determining why intergovernmental relations in labour market policy in Canada continued to be so difficult in comparison to other policy areas.

Workability in Intergovernmental Relations

The term workability is commonly used in the context of preparing cement or mortar for spreading. It also has a more every day use which suggests that something is

workable if it is capable of being dealt with or handled, put into effective operation, or is practicable/feasible within the means at hand and prevailing circumstances. There is not the notion of a 'grand design': instead, workable implies a sense of making best use of the available material to function perhaps not ideally, but adequately to serve the purpose desired.

Workability as a political concept was initially developed by Stefan Dupré in relation to executive federalism in Canada:

> *Whether executive federalism works involves not whether governments agree or disagree, but whether it provides a forum (or more accurately a set of forums) that is conducive, and perceived to be conducive as the case may be, to negotiation, consultation or simply an exchange of information (Dupré 1985, p. 233).*

In Dupré's view, one of the most important factors impacting workability in intergovernmental relations is whether there are 'trust ties' between senior officials of both orders of government. Trust ties between officials occur more readily when these officials share professional training and norms and geography, and when governments resist the tendency to frequently reorganize. Other factors relating to enhanced workability are choosing a narrow enough agenda where issues can be limited; seeking agendas that show promise of early success; and routinized and regular engagement (Dupré 1985). Shared objectives, a positive history, an ability to minimize past grievances, and recognition of mutual interdependence also impact workability. These characteristics are often found more easily among policy officials in line departments than between officials in central agencies. Relationships between central agency officials may be more adversarial as they are often focused on protecting jurisdiction (Pollard 1986).

Trust ties between senior officials are felt to be important because these can be transmitted to Ministers, whose time in their Ministerial posts can be much more fleeting. They are essential for the handling of the inevitable interactions and disputes that arise between governments. Ministers may or may not respond positively to the recommendations and views of their officials, especially when there has been a change of government and a new political party is in charge. As a result,

the presence or absence of trust ties between senior government officials does not imply that a workable relationship between governments exists. There are many other factors that impact this, including the overall context within which the policy sector operates, and potentially conflicting goals between governments[13]. Nevertheless, the presence or absence of trust ties between senior officials is an important aspect of any intergovernmental relationship.

Dupré's work built on the analysis of bureaucratic conduct undertaken by Breton and Wintrobe (1982). In their view, bureaucratic behaviour is influenced by exchange and competition. Since exchange in a bureaucratic context cannot be supported by legal institutions, it must instead be supported by trust[14]. Trust is produced and accumulated by individuals. It is not something that either exists or not, but operates on a continuum where volume can be increased or reduced continuously depending upon intensity (the amount invested in a single relationship) and extent (the number of relationships invested in). Trust need not be mutual, and its benefits accumulate over time.

A number of other authors have identified the significance of trust ties within an intergovernmental context. Agranoff (1994) suggests that trust relationships between intergovernmental actors are nurtured by common values and vocabulary, relative departmental autonomy to make key intergovernmental decisions, continuous contact, the effect of government to government grants, and special interest or associational ties. Banting (1998, p. 36) maintains that consistency, openness, and predictability are as critical to building trust in politics as they are to our personal lives. In their work on linking officials across governments in Canada, Johns, O'Reilly, and Inwood found that the world of intergovernmental officials is held together largely by friendships and trust, but can also be delineated or limited by ego, competition and resentment. Personality, enmity, and culture were also identified as

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[13] For example, it can be hard for policy officials to have a positive relationship when First Ministers are openly criticizing each other in the media.

[14] Individual (A) trusts another individual (B) whenever A is confident in some degree that B will undertake what B has promised to. Fukyuama suggests that trust is not based on explicit rules and regulations, but on ethical habits and reciprocal moral obligations that are internalized by each of the community's members (1995, p. 9).

important, as is the need for trust to be earned and the players to be candid, whilst able to deliver on their commitments. In their view:

> *The resources of the informal realm are relationships. It is a world where trust-ties and leadership play key roles, as do their opposites of enmity, distrust and lack of leadership (Johns, O'Reilly, and Inwood 2007, p. 37).*

In examining processes that central and sub-national governments used to cooperate and coordinate their decisions and actions, the OECD developed a contractual approach to multilevel governance which also highlighted the importance of trust ties. Trust between governments is important because, unlike private contracts, levels of government are locked into relationships by their institutional context and have no option but to deal with one another. Since relationships must be repeated over time, coordination mechanisms must be built to manage a cooperation that is unavoidable (OECD 2007).

Workability—defined as the degree to which intergovernmental institutions and processes provide a forum to foster cooperation and collaboration, accommodate conflict, and resolve disputes that impede the effective functioning of the system—was chosen to assess intergovernmental performance in this research. The key factor impacting workability is the presence or absence of trust ties between senior government officials. As described above, although many authors have identified the *importance* of trust ties to workability in intergovernmental relations, there have been no attempts to actually *measure* it. This thesis wanted to explore whether it could be measured, reflecting on the notion that trust operates on a continuum, impacted by the intensity of individual relationships, as well as the number of relationships.

The degree of workability in the intergovernmental relationship was assessed by reflecting on the evidence provided through interviews as to the presence or absence of the following relationship factors: shared goals and objectives, routinized and regular engagement, stability among the key players, geographic proximity, honesty

in terms of information sharing, willingness to engage, capacity to engage and autonomy to decide, leadership in the development of processes to work through differences, choosing a narrow enough agenda where issues can be delimited, and seeking agendas that showed promise of early success. The interview data was also combed for evidence of the presence or absence of mutual respect, civility and tolerance, predictability, fairness, a positive history, an ability to minimize past grievances, recognition of mutual interdependence, and shared professional training and norms.

Variants of high, medium, or low workability were assigned to a variety of relationships in each of the case study countries. Relationships were considered from the point of view of participants at the centre and in the sub-state, as described to the author. When there was evidence that a number of the factors outlined above were present and positive, an assessment of high workability was assigned. When there was evidence that these were significantly lacking, an assessment of low workability was selected. Moderate was somewhere in between. Civil servants instinctively know the degree to which an overall relationship with their counterparts in the other order of government is positive, negative or neutral. Workability was simply a labeling device chosen for this thesis to classify intergovernmental relationships.

In addition to the factors identified above, comments from those interviewed with regard to the role of personality and an individual actor's values, expectations, interests, and experiences were also examined in terms of how they influenced workability in intergovernmental relations.

Conclusion

This concludes the preliminary work for this thesis. The research questions, the case parameters, how the evidence was collected, what the literature suggests about intergovernmental relations, and an analytical organizing framework have all been identified. In the pages that follow, this analytical framework will be used as the basis for assessing each variable in the intergovernmental relations system in the case study countries, and for answering the 'how', 'what', and 'why' research questions.

It will also be used to allow for a point by point comparison between the two countries.

The chapter started with a quote, from Jean Monnet, about the interplay between people and institutions in politics. In Monnet's view of the development of the European community, nothing was possible without men, but nothing was lasting without institutions that evolved and developed over time (as quoted in Pierce 1996). All three of these dimensions (people, institutions and history) will be examined through this research.

The analysis starts in the next chapter by examining the first element of the analytical framework: the overall social, constitutional, political and institutional context under which labour market intergovernmental administrative actors in Canada and the United Kingdom worked during the period of this research.

CHAPTER 3: COUNTRY CONTEXT FOR INTERGOVERNMENTAL RELATIONS

> *WHEREAS the Provinces of Canada, Nova Scotia and New Brunswick have expressed their Desire to be federally united into One Dominion under the Crown of the United Kingdom of Great Britain and Ireland, with a Constitution similar in Principle to that of the United Kingdom...(BNA Act 1867, preamble).*

The analytical framework outlined in Figure 2 of Chapter Two placed an examination of the overall country context as a key consideration in assessing intergovernmental relations. The purpose of this chapter is to examine the basic characteristics of Canadian and British society—constitutional, social, political, and institutional—and consider how these shape intergovernmental power dynamics and intergovernmental institutions and processes. This overall context shapes intergovernmental relations within any policy sector.

Canada has the advantage of having an intergovernmental relations system that has had over 140 years to develop and mature. The chapter starts with an examination of federalism in Canada, including the constitutional arrangements chosen, views of social citizenship, and the influence of other institutions (for example second chambers, the civil service, and the judiciary) on managing the interface between federal and provincial governments. The role of political parties and the impact of finances on federal-provincial relations are also considered. This is followed by an analysis of the Canadian intergovernmental relations system, including the actors involved, the institutional structure and processes that have evolved, and the intergovernmental dynamics surrounding the key issues dealt with during the time period of this research, 1996 to 2006.

Using the same parameters the constitutional, social, political and institutional characteristics of the United Kingdom are assessed, including to what degree these changed with devolution. A review of the intergovernmental institutional structure, post-devolution, is also provided, as well as an assessment of intergovernmental

dynamics. In keeping with the research questions, differences between Canada and the UK are highlighted throughout.

The power of the intergovernmental partners, who the intergovernmental actors are, who their relationships are with, the key issues over which the interface is managed, and the parameters within which intergovernmental relations within a policy sector functions are all determined by this overarching social, constitutional, political and institutional structure. The chapter concludes with a summary of the key factors which shape intergovernmental relations in any policy sector in Canada and the United Kingdom, and highlights those factors where the differences between Canada and the United Kingdom are most significant.

Federalism in Canada

The Constitutional Context

Canada is a federal system, set up in 1867 through a written constitution (the British North America Act) and expanded over the years to eventually incorporate ten provinces and three territories. As outlined in Chapter One, the key defining feature of a federation is that each order of government is sovereign within their area of jurisdiction and neither, acting alone, can change the constitution. The Canadian constitution divided powers, giving the federal government trade and commerce, foreign relations, defence, taxation, as well as the declaratory power, disallowance, and the residual power. Provincial governments were assigned health care, education, property and civil rights, and natural resources, and initially only had access to direct taxation. Immigration and agriculture were explicitly identified as concurrent; that is both orders of government were to govern. When the BNA Act was enacted, in 1867, it was expected that each government would work in 'watertight compartments'; as a result there were no provisions for mechanisms of coordination and cooperation between governments. Hierarchical control from the centre was expected to prevail (Robertson 1978).

Over time, provinces became stronger through court interpretations (which gutted the federal disallowance and declaratory power), and because most of the things that mattered to citizens were within provincial jurisdiction. The activities of both orders of government in social, economic, cultural and other fields grew substantially, as each responded to its own political or ideological goals and perception of the interests of their constituency. Interdependence between governments increased significantly, resulting in the need for interministerial conferences and stronger relationships between officials within policy sectors (Simeon 1978b). During the later part of the 20th century, significant efforts were undertaken to amend the Canadian constitution to deal with Quebec nationalism and a variety of other issues, but significant dimensions of these attempts ultimately failed.

The Social Context

One of the most salient characteristics of Canada is regional diversity—geographic, economic, and cultural. In such a large country distances are great and there is a sense of remoteness (particularly in the west), from the capital Ottawa. There are considerable wealth disparities between regions which often result in competing interests. One of the greatest diversities in Canada comes from Quebec, which, in addition to language, has its own history, culture and religion. These differences between regions create conflict, which takes place within a federal institutional structure that privileges provincial governments and their executives (Premiers, Ministers and senior officials) as the protector of regional interests. As Simeon identifies:

> *The effect of a weak sense of (national) identity, of strong and persisting regional identities, and of the divergent French and English identities, is to deny the federal government a large measure of authority and legitimacy (Simeon 1972, p. 25).*

One of the prime mechanisms that the Government of Canada used in its fight for legitimacy was the creation of the welfare state. Following the Second World War, flush from its success on the battlefield, and with the assistance of ceded provincial tax room and a strong bureaucracy, the Government of Canada began to lay out the main elements of the Canadian welfare state, undeterred by the fact that most social

policy areas were under provincial jurisdiction. Banting (2005a, p. 118-125) suggests that, over time, three distinct models of federalism developed in Canada: *classical federalism* and exclusively federal programs (achieved through constitutional amendments that allowed the federal government to deliver programs directly); *joint-decision federalism* (where formal agreement of both orders of government was required); and *shared-cost federalism* (where the federal government offered financial support to social programs operated by provincial governments). The latter involved the use of what is called 'the federal spending power'. Despite being challenged politically and judicially the federal government in Canada can spend or send its funds to any government, institution or individual it chooses, for any purpose it chooses, even in areas of provincial jurisdiction (Advisory Panel 2006). During the post-war period, provinces significantly expanded their social assistance, social services, health care, and postsecondary education programs with these federal transfers.

This 'nation building' through the construction of a modern welfare state under federal leadership in the 1950s and 1960s (often called the period of 'cooperative federalism') soon gave way to a period of 'province building', a process through which provinces (with federal dollars) developed the political sophistication, civil service expertise, and financial power to begin challenging the federal government in a more assertive way (Simeon 1977). Nowhere was this more evident than in the Province of Quebec, when, after the 1960 election of the Jean Lesage government, nationalist forces started to grow and protecting provincial jurisdiction and upholding the division of powers became an article of faith of all Quebec provincial governments[15].

Banting (2002) suggests that in all multilevel polities there is a debate over 'the logic of social citizenship and the logic of federalism'. The logic of social citizenship suggests policy uniformity and national standards and that citizens have a right to a

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[15] Dion (1992) maintains that Quebec nationalism is fuelled by three forces: fear (that the French language and culture will disappear), confidence (that they can manage their own state effectively) and rejection (that the rest of Canada refuses to constitutionally recognize their unique identity and need for autonomy).

common set of welfare programs and services wherever they live. The logic of federalism is regional diversity—that democratically elected governments may respond differently to the needs and priorities of their electorates. Although the post-war welfare state was a centralizing force in Canada, since many policy instruments are under provincial control, the logic of federalism is extremely powerful. In Banting's view, there is a spectrum of sharing communities in any federation, and in the Canadian context, health care, for example, reflects a "dual sharing community" (Banting 2005b, p. 46). The same may not be true in other policy areas (for example education), which lack the integrating forces of a Canada Health Act or federal financial transfers.

The Institutional Context

One approach to managing interdependence in a multilevel political system is through institutions such as legislatures, cabinets, second chambers, the judiciary and the civil service.

A fundamental requirement of British parliamentary tradition is party unity and discipline. Members of Parliament lend their key loyalty to their party and their leader, not to their region; consequently, most federal Members of Parliament have only limited relationships with provincial politicians and governments. Canada's Parliament is particularly executive and leader dominated even by Westminster standards (Franks 1999, Tanguay 2002). As a result, Members of Parliament belonging to the Liberal or Conservative parties[16] find it almost impossible for them to push for policies favourable to their region if this clashes with the views of the party, the Prime Minister, or cabinet. Provincial legislatures are set up in a similar fashion—they are party and executive dominated, and have few crossover linkages to the national parliament. Since confederation, neither the federal parliament nor provincial legislatures have created ongoing committees or processes to consider intergovernmental issues.

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[16] Since confederation these are the only two parties that have held power nationally.

With respect to the role of cabinets, every Prime Minister since confederation has chosen his cabinet to represent all provinces and regions. Although these closed-door discussions play a vital role in accommodation and adjustment, the federal cabinet is governed by the same norms of unity and solidarity as parliament, and a cabinet member's effectiveness in representing his or her region is governed by seniority and individual personalities. While cabinet members may represent regions and have regional bases of support, they do not represent provincial governments (Simeon 1972).

The judiciary is the 'umpire' of the Canadian constitution and, in the early days of confederation, the Joint Committee of the Privy Council, the highest court of the British Empire, made significant decisions that in effect reversed the plain meaning of the BNA Act and handed more power over to provinces. Since then Canadian governments have been reluctant to use the courts to resolve disputes between governments as it generally involves a zero-sum game with high costs that undermines parliamentary sovereignty. In Baier's view (2002) they generally prefer the compromises of the bargaining table through executive federalism over litigation.

Although the framers of the Canadian constitution intended that the Canadian Senate would represent regional views at the centre, it has never fulfilled this role because it lacks legitimacy. Senators are appointed by the Prime Minister and there is no sense of provincial equality (Simeon 1972). Although there have been many attempts to change the Canadian Senate, they have ultimately failed.

A final institutional force for accommodation in some countries is the civil service. In Canada, the federal government and each province and territory maintains its own civil service; as a result, the public bureaucracy does not provide an integrating role across regions. The presence of separate civil services, each loyal to its particular government, is rooted in the fact that Canada developed from individual British colonies, each with its own administration.

Transplanted British institutions such as parliaments/legislatures, cabinets, the judiciary, the upper house, and the civil service have not provided effective mechanisms for intergovernmental adjustment in Canada. In many countries this facilitating role is played by political parties. In the early years of confederation, regional tensions were effectively contained within a competitive two-party system; however, the rise of regional protest parties (especially the Reform Party in the West and the Bloc Québécois in Quebec) shattered the ability of national political parties to be a locus of accommodation across regions in Canada (Tanguay 2002). With respect to accommodation between federal and provincial parties, the two main governing parties (the Liberals and Conservatives) are highly distinct and separate at the national level, and within each province, and have limited connections. In addition, some provincial governments are often led by other political parties. The logic of federal-provincial negotiations in Canada means that provincial governments must be able to deal with parties of any stripes at the national level and vice versa. In fact, the Canadian electorate has had a habit of choosing different parties to hold office in federal and provincial governments (Jeffery and Hough 2003).

Rather than an integrating force, the Canadian party system under a 'first-past-the-post' electoral system actually exacerbates regional cleavages. In fact, this was the case during the time period of this research, when, after their return to power, in 1993, the federal Liberals governed from "fortress Ontario" (Tanguay 2002, p. 302), first under two Chrétien majorities, then under a Martin minority. Albertans elected only two members to this federal Liberal caucus of 177 and 155 (in the 1993 and 1995 elections respectively). At a provincial level, the Progressive Conservatives under Ralph Klein were in power during the entire period of this research. Although British Columbia and Ontario were under Liberal leadership during the last half of this research, during the late 1990s the Conservatives were in power in Ontario and the New Democratic Party in British Columbia.

Finances and how resources are shared are fundamental issues in any multilevel polity. In Canada, both orders of government have access to most tax fields, and provinces also have access to resource revenues. During the period of this research, provinces and local governments raised about 55 percent of total government revenues, and accounted for about 68 percent of total government spending (excluding intergovernmental transfers) (Lazar 2005, p. 11).

As outlined above, over the years, a complex set of federal-provincial transfers developed in Canada, most of which have now become largely unconditional. Different provinces gain different amounts from provincial taxes and resource revenues; as a result, they have different needs in terms of federal transfers. Provinces are considered either 'have' or 'have not', depending on whether they receive federal equalization payments[17]. Alberta has access to resource revenues, and, with Ontario and British Columbia, these three were considered as 'have' provinces; all others at one time or another throughout the period of this research were considered as 'have not' jurisdictions.

Financial differences pit one province against another, and were the key divisive issue in federal-provincial and interprovincial relations between 1996 and 2006. Finances also have a significant impact on the degree of freedom that provinces have to develop their own programs, depending upon the degree to which federal transfers are conditional. As will be examined in greater detail in Chapters Four and Five, the federal government was prepared to enter into labour market, disability, and immigration agreements with provinces which tied provincial hands in exchange for money. Some provinces were willing to do this while others felt it undermined provincial jurisdiction and autonomy. Arguments over funding are at the heart of much of the intergovernmental conflict in Canada; indeed, for many provincial

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[17] Equalization is a federal program, intended to provide funds to 'have not' provinces to ensure that they have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

participants interviewed through this research, securing federal money was the *only* reason why governments in Canada needed to connect at all.

This review demonstrates that, unlike the United States or Germany, the mechanisms for regions in Canada to influence government decision making at the centre (referred to in the literature as *intrastate federalism*) are particularly weak. In Gibbons' view (1998a), faulty national institutions have actually exacerbated regionalism in Canada, especially from the perspective of western Canadians. To combat the weaknesses of intrastate federalism, Canada has instead relied on *interstate* federalism, where the constitutional division of powers and the intergovernmental relations system protect regional interests.

Intergovernmental Relations in Canada

Intergovernmental Actors and Their Interests

While, initially, intergovernmental relations in Canada were handled by 'functional' officials in each policy sector, the increasing number of intergovernmental meetings needed to build the welfare state, and the desire to bring a coordinated approach led to the establishment of specialist intergovernmental agencies within each order of government.

In 1963, the Government of Canada established a Provincial Relations Secretariat within the Privy Council Office, the hub of public service support to the Prime Minister and Cabinet and its decision-making structures. This secretariat has played a key role in all aspects of federal-provincial relations and the evolution of the federation and Canadian unity, providing analysis, advice, liaison, and strategic planning. With about 300 staff reporting to the Minister of Intergovernmental Relations, the unit monitors policy files as well as individual provinces, and coordinates the efforts of the Government of Canada both within federal departments and with provincial governments. In Trench's view, the Government of Canada requires specialists outside of line departments primarily because of the threat of Quebec separation, but also because measures intended to have a particular effect in

one province or region may have a different effect elsewhere (Trench 2003b, p. 25). Officials see their role more broadly, as protecting federal interests (interview with federal official November 6, 2006).

Over time, all provinces established specialized intergovernmental units at the centre, including Alberta in 1972. The key goal of the Canadian Intergovernmental Relations Unit within International and Intergovernmental Affairs (IIR) is to "promote the interests of and to secure benefits for Alberta as an equal partner in a strengthened unified Canada" (IIR 2006, p. 9). In Gibbons' view, Alberta's intergovernmental relations have been driven by a desire to ensure a system of rules and institutionalized consultation within the federation because provincial elites feel that the province exercises little influence over federal institutions. Alberta opposition to special status for Quebec has deep roots, and Gibbons (1998b, 2006) suggests that it is embedded in the DNA of the region's political culture.

Alberta provincial officials interviewed through this research (September 28 and October 4, 2006) highlighted what they perceived as a consistent and 'principled' approach by their province to intergovernmental relations (in comparison to other provinces), rooted in a sense of grievance against the federal government when the province entered the federation without being given control over natural resources[18]. Unlike the Province of Ontario, which often cannot distinguish between its interests and those of the federal government, and Quebec which often absents itself from multilateral discussions because it lacks commitment to the federation, Alberta officials viewed the province as a strong player in intergovernmental relations, with a deep commitment to Canadian nation-building as long as Alberta interests were supported. Like Quebec, these interests focus on a strong defence of the constitutional division of powers. Over the past 20 to 30 years, these interests have been protected by a consistent nucleus of 15 to 20 civil servants in International and Intergovernmental Relations. These individuals participate directly in all federal-provincial meetings, giving them credibility and connectedness, both within the

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[18] Alberta entered the Canadian federation in 1905 but did not gain control over natural resource revenues until the 1930s.

Alberta bureaucracy and with Alberta politicians. Connections between the Alberta bureaucracy and politicians were facilitated during the period of this research by the Alberta political system, characterized by longstanding governments and one-party domination[19].

Despite these dedicated intergovernmental agencies at both the federal and provincial level, much of what happens in intergovernmental relations in Canada is carried out by line departments, many of whom have developed their own intergovernmental capacity and expertise. Unlike officials who work in intergovernmental agencies who tend to be 'process' specialists, intergovernmental specialists in line departments have substantial expertise in the intergovernmental aspects of one policy field. This can lead to friction between the intergovernmental affairs agency and the line department. An Alberta official described the difference this way: "When we get IIR folks involved in something, it gets into a pissing contest. For them it's a game; for program folks it's about good programs" (interview November 8, 2006).

Civil servants in Canada's federal and provincial governments share similar values to those of civil servants in the UK, rooted in the British influence that has informed virtually every major development in the rise of the Canadian civil service (Savoie 2003). But irrespective of whether one works for a federal or provincial government, in a central agency or line department, all civil servants in Canada align themselves with the interests of their government. Although there are common professional norms, Donald Smiley believes that this 'new class' of federal-provincial professional has only one important role- "to protect and extend the powers of the jurisdiction for which he works" (as reported in Simeon 1978a, p. 8). In Hunter's view, "the system forces officials to defend their rival sources of power rather than cooperate for the fulfillment of a grand national purpose" (Hunter 1993, p. 64).

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[19] The Progressive Conservatives have ruled the provincial legislature since 1971.

> *Hundreds of meetings each year, millions of dollars worth of agreements negotiated monthly, countless informal contacts, and a varied and complex intergovernmental machinery— this is the nature of intergovernmental administrative relations in Canada to-day (Johns, O'Reilly, & Inwood 2007, p. 22).*

First Ministers' meetings are at the top of this intergovernmental structure, but were rarely called during the period of this research. Meetings between Premiers are more institutionalized and have been held annually since 1960. In 2003 Premiers created the Council of the Federation (C of F), to herald a "new era in collaborative intergovernmental relations…as Premiers believe it is important for provinces and territories to play a leadership role in revitalizing the Canadian federation and building a more constructive and cooperative federal system" (C of F 2007).

Of most significance to this research were meetings between sectoral Ministers, Deputy Ministers, and senior officials. In 2005, for example, there were 37 meetings involving federal-provincial Ministers (e.g. health, social services, transportation, agriculture, etc.) and 34 involving Deputy Ministers or senior officials. Some maintain that this is where the real work of the federation gets done; others just see it as travel junkets and 'busy work' for civil servants (interview with provincial official September 28, 2006). Each sector conference is usually supported by a secretariat funded by both orders of government and meetings are often co-chaired. Provinces usually hold interprovincial meetings to coordinate their positions before meeting with their federal counterparts, and many multilateral meetings conclude with the issuance of a joint press release.

Much of the business of governing in Canada is done through intergovernmental agreements, many of which involve the transfer of money. Like intergovernmental meetings, these are negotiations between political elites with almost no legislative or citizen oversight. In 2001, Poirier counted over 1,000 federal-provincial agreements in force in Canada; in 2005, in Alberta alone there were over 150 agreements. In her view, agreements play five major functions: substantive policy coordination,

procedural cooperation, para-constitutional engineering, regulation by contract and quasi-legislation, or soft law. Most are generally considered to be of a political nature, and therefore non-justiciable. They can however, significantly impact the behavior of governments as they generally try to comply with their commitments (Poirier 2001).

A key intergovernmental agreement relating to social policy is the Social Union Framework Agreement (SUFA), negotiated in 1999 between the Prime Minister and all Premiers (except Quebec's). SUFA was initiated by provinces as an attempt to solidify agreement on the rules of the game and circumscribe the federal spending power. The five commitments under SUFA focus on procedural cooperation between governments[20]. Despite the hope that this might have actually changed intergovernmental behavior in Canada, it appears to have had little impact. Only one person interviewed through this research raised SUFA: "The ink wasn't even dry on that before all those agreements and commitments to work together were blown out of the window" (interview with provincial official September 26, 2006). Likewise, academics view it as disappointing and irrelevant (Friendly 2001, Richards 2001).

Issues

During the ten-year period of this research there were many high-level intergovernmental issues that caused stress and friction between governments in Canada. These included the Kyoto Protocol, health care, the failure of SUFA, and international terrorism. But overwhelmingly the issue that energized all relationships was what came to be known as the 'fiscal imbalance'.

When the Chrétien Liberals came to power, Canada was mired in deficits and debts, and the Government of Canada, under the leadership of Finance Minister Martin, vowed to put its fiscal house in order. This included 'shifting the spending power

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[20] This included: a set of principles that were felt to be fundamental to Canada's social union; removing barriers to mobility; informing Canadians through improved public accountability and public reporting; working in partnership for Canadians through joint planning and collaboration, reciprocal notice, consultation and equitable treatment; controls over the federal spending power; and processes of dispute avoidance and resolution.

into reverse' by cutting provincial program transfers for health and social programs. This occurred at the same time as provincial costs, especially for health care, were spiraling out of control[21].

This unilateral federal action severely undermined provincial trust in the Government of Canada. When, five years later, the federal government was prepared to reinvest in social programming, provinces scrambled to get a piece of federal funding and a number of federal-provincial accords were entered into around key federal priorities such as health care and early childhood education. However, the preferred federal approach was to provide cash transfers directly to individuals or institutions. The Provincial-territorial Advisory Panel on the Fiscal Imbalance noted that "the federal spending power has been the source of nagging frustration and discontent that is at the heart of unproductive intergovernmental conflict" (2006). Reflecting on intergovernmental behavior over the period of this research, a former provincial civil servant and longstanding participant in intergovernmental relations in Canada commented:

> *During the National Energy Program days and the constitutional wars you could always talk to other provinces and the federal government, there was an 'esprit de corps'…this was different, in effect you had lost trust ties between jurisdictions as people refused to engage with each other…the Prime Minister was dismissive of the provinces and Premiers were weak…there was strain, pettiness, hostility and tension on a number of fronts at the highest levels and this trickled down to the sector level (interview May 23, 2007).*

Cameron and Simeon (2002) attribute conflict between governments in Canada to differences in interests. In their view, the more assertive provinces such as Quebec, Alberta, British Columbia, and Ontario seek to wrest the initiative from the Government of Canada, limit the federal government's ability to 'intrude' on their programs and priorities, and increase their autonomy in areas of shared jurisdiction. For the smaller, poorer provinces, autonomy is less important than in ensuring the continued flow of federal dollars. The Government of Canada wants to retain influence and visibility, particularly in an era of budget surpluses. During the period

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[21] Alain Noël (2001, p.11) calculated that between 1992-93 and 1998-99, cash social transfers to the provinces decreased by 32 percent, while provincial expenditures for social services, education and health increased by 12 percent.

covered by this research all governments in Canada focused on guarding their turf, and used every opportunity available to win credit and avoid blame.

Intergovernmental relations in Canada are ubiquitous, complex, and often confrontational. An elaborate structure has developed over the past 140 years, involving countless civil servants from both orders of government and many meetings between First Ministers, Ministers, and senior civil servants on both a bilateral and multilateral basis. Out of this process have come a multitude of agreements, many of them involving conditional funding transfers from the Government of Canada to individual provinces and territories. Despite this elaborate structure, when compared to other federations, Canada's system of intergovernmental relations is relatively informal and under-institutionalized. Decision rules are consensus based, there are few mechanisms to resolve disputes, accountability provisions are ambiguous, meeting schedules are uncertain, intergovernmental secretariats are feeble, and there are unclear and overlapping structures (interview with academic April 12, 2007). Despite many attempts, no constitutional or legislative basis for intergovernmental relations in Canada has been established, and SUFA's attempt to establish a politically-based 'rules based regime' (as Canada often seeks in international negotiations) was ultimately considered a failure.

Devolution in the United Kingdom

A conflicted overall intergovernmental environment as has been described in Canada certainly did not play out during the early days of devolution in the United Kingdom. The analysis which follows illustrates the significant differences between the two countries.

Constitutional Context and Devolution

Unlike Canada, where initially three separate colonies came together to form a single country, devolution in the UK occurred within the context of a well established state. Although significant, this new form of shared governance did not remake the social,

political, constitutional and institutional framework that had developed over a period of more than 500 years. As Jeffery and Wincott (2006, p. 3) observed:

> *Devolution, in fact, was a deceptively simple thing to do…as it did little more than to democratize the distinctive administrative arrangements that had emerged over the centuries for delivering UK policies outside the core state territory of England in Scotland, Wales, and Northern Ireland.*

In Scotland, these distinct 'administrative arrangements' had been governed by the Scottish Office, which over time assumed responsibility for education, the courts, the health system, social services, and related areas (Gamble 2006). However, as an institution of the British state and a department of the British Government, the Scottish Office had no legislative autonomy and was unable to initiate distinctive policies (McEwen 2002, p. 72).

The intention of devolution was to overcome these limitations by establishing sub-state parliaments and assemblies to provide oversight of some public policies in those parts of the UK that desired more autonomy. It was viewed as a practical way forward to both maintain and strengthen the union. When Labour assumed office, in 1997, they quickly held referenda on devolution in Wales and Scotland. With the required majority, Westminster legislation was passed in 1998 to create the new political institutions, and the first territorial elections were held, in 1999 (Gamble 2006).

The Scotland Act (1998) put in place a 'retaining' model, spelling out what the Scottish Parliament could not do, with the implication that it could do everything not explicitly reserved to Westminster[22]. The Scottish Parliament was given responsibilities that are similar to those of Canadian provinces: education and training, health, local government, police, prisons, social work, agriculture, environment and justice. These are carried out by the *Scottish Executive*, Scotland's regional government[23]. Matters such as foreign affairs (including matters related to

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[22] Unlike Canada's constitution, the Scotland Act can be changed relatively easily: by 2004 it had been amended eight times and there were ten orders to transfer more functions to Scotland.
[23] In 2007, the Scottish Executive was renamed the Scottish Government.

the European Union), defense, national security, immigration, employment legislation, and social security were reserved to Westminster.

Even with the division of powers in the Scotland Act, the Scottish Parliament is subordinate because the UK Parliament is the highest law-making body in the UK. It is not autonomous within its area of sovereignty, as provinces are in the Canadian federal system, and could, in theory, be abolished by the UK Parliament. Bogdanor suggests that since devolution was endorsed by popular referenda, the Scotland Act did distribute, if not constitutional power, then certainly effective political power, between the two parliaments. He believes that it would be politically impossible, except under the most extreme circumstances, for the Westminster Parliament to overrule the Scottish legislature on devolved issues (Bogdanor 1999, p. 187-188).

Compared to Canada's powerful provinces, the devolved administrations in the UK are weak, with the UK Government holding most of the important cards. When relationships between governments in Canada occur, the federal government is facing ten provinces with relatively equal jurisdictional competence, whereas in the United Kingdom there are only three small devolved administrations. Since the UK Government must continue to act as both central and the largest regional government (for England), the demarcation between devolved and reserved issues is often unclear, allowing the centre to exert significant influence over policy (even in areas of devolved competence) as they must make these governance choices for England.

Despite the listing of reserved items in the Scotland Act, in Cornes' view (1999), devolution established mainly shared rather than divided competencies. Not only were many legislative powers devolved down to Scotland (e.g., agriculture, industry, economic development and training) they have also been passed upwards to the European Union in successive treaties. The UK Government's fiscal dominance and executive powers, and the constraints of the Barnett funding formula point to shared, not divided competencies. Jeffery (2007) also highlights the significance of the three-level game where, as a result of European integration, all central governments in the European Union get to exercise regional decision making power. Post-devolution,

the process of managing European issues in the UK has been done by relying on 'goodwill' rather than law. This contrasts with Canada, where there is no North American equivalent to the pooled sovereignty of the European Union. Since the negotiation of the Canada-US free trade agreement, in 1989, governments in Canada have institutionalized the process by which provinces provide input into international trade negotiations (Skogstad 2008).

Devolution has left the UK with a particularly 'lopsided' state, where the devolved territories comprising approximately 15 percent of the population have regional parliaments and assemblies, while England is still ruled directly by Westminster. In Hazell's view (2006, p. 239), the English seemed relaxed with this and do not seem to want devolution for themselves[24]: "England is now the most centralized of all the large countries in Western Europe. Famously insular as well as pragmatic, the English remain unaware of that".

Compared to most federal political systems, the United Kingdom has very few devolved units of government. For example, Spain has 17 autonomous communities, Australia has six states and two territories; Canada has ten provinces and three territories. Because of different histories and differences in the degree of autonomy desired, devolution in the UK is highly asymmetrical, with Scotland, Wales, and Northern Ireland having different degrees of freedom to act (for example, Scotland has primary legislative responsibility while Wales has secondary responsibility[25]), as well as different areas of competence (for example, social security is devolved in Northern Ireland). Watts (2006, p. 222) characterizes devolution in the UK as 'double asymmetry': not only are the devolved administrations asymmetrical in terms of their powers, but there is an additional asymmetry in the fact that devolution only applies to 15 percent of the population, with the other 85 percent living in England with no devolved governments.

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[24] In 2004, a referendum on devolution in the North East Region of England was defeated by 78 percent of those voting.
[25] Even with the changes made to the Government of Wales Act in 2006, Welsh devolution is weaker than the Scottish model.

The fact that there are so few units and that devolution is so asymmetrical has a significant impact on intergovernmental relations, as it means that the different sub-state governments have different responsibilities, making relations between the centre and the regions primarily bilateral (involving the centre and just one of the devolved administrations), as opposed to multilateral (involving all the devolved administrations and the UK Government). Although provinces in Canada may have different interests and some are more powerful than others, they share similar responsibilities and freedom to act, making information sharing and interprovincial coalition-building an important component of intergovernmental relations. A key consideration of the Government of Canada whenever it enters into relationships with one or several provincial governments is equity.

Despite these constitutional limitations in the UK, these are early days of devolution, and, over time, Canadian provinces gained considerable power. When Agranoff assessed the political strength of a number of autonomous sub-states he used four dimensions: the power base of the autonomee, the vehicles of autonomee power, the channels of intergovernmental access, and a weighed assessment of the autonomee's capacity to change the game at the national level. In Scotland's case he viewed the fact of the Scottish Parliament as a new and important locus of power, and the fact that many Scots view themselves as a nation with an inherent right to self determination as powerful counterweights to the constraints in the autonomy act (Agranoff 2004, p. 54). Indeed, when asked whether Government Ministers in the Scottish Executive should always stand up for what they think is best for Scotland (even if it means having serious rows with the UK Government at Westminster), over 84 percent of Scots agreed (Scottish Election Survey 2007).

The Social Context

The concentration of state sovereignty in Westminster during the post-war years facilitated the development of a centralized welfare state where political decisions were made in Westminster and social benefits were distributed relatively evenly across the British state. Since the Scottish and Welsh offices were involved in

implementing these policies and there were different laws and spending levels, this did not mean that there was uniformity across the UK (Jeffery 2007). There were, however, similar public expectations, with the social citizenship rights of the British welfare state acting as a strong integrating force and a reason for citizen loyalty to the sense of being 'British' (McEwen 2002).

During the period of time the author lived in Scotland, undertaking this research, from time to time there were citizen and advocacy group complaints reported in the media about the unfairness of what was perceived, post-devolution, to be more generous public policies in Scotland than in England (for example, free personal care for the elderly or the abolition of tuition fees for Scottish university students). These illustrate strongly felt views about the need for common social citizenship rights and common programs throughout the United Kingdom.

On the other hand, the express purpose of devolution was to allow for these differences in those areas where the Scottish Parliament had been granted competence. Post-devolution these differences have been both celebrated and bemoaned, as both the Scots and the English come to realize that geography now matters more than it ever did before devolution. Canadians have lived with this kind of non-standardization of social programs and services across the country for over 140 years.

The Institutional Context

Like in Canada, the Westminster parliamentary system provides little legislative scrutiny of intergovernmental relations by any of the UK parliaments or assemblies. In contrast to UK-European Union relations (where the Scottish Parliament established a European and External Relations committee), no legislative committees focusing on the Scotland-UK Government relationship have been established. When disputes with a territorial aspect arose, during the period of this research, they were treated almost as intragovernmental rather than intergovernmental. Hazell and Paun (2006, p. 13) argue that not only were confidentiality and access to information a

problem for legislatures, the greater problem was the informality and fragmentation of the system.

Unlike Canada, the UK does have institutions specifically focused on territorial issues, and these have been retained, post-devolution. The House of Commons Scottish Affairs committee continues to examine substantive issues concerning Scotland. The Secretaries of State for Scotland, Wales, and Northern Ireland[26] have continued and these members of the UK Cabinet are expected to play a role in intergovernmental relations and ensure that there are no breaches to the devolution settlement and neither party oversteps its boundaries (interview with Whitehall official December 8, 2005). With access to the UK decision-making process, the Secretary of State's primary role is to represent territorial interests on matters reserved to the UK Government and ensure that it does not legislate in areas which are devolved. These Ministers and their staff in the Scotland and Wales offices are also expected to encourage close working relations between UK departments and the devolved administrations, and act as intermediaries when necessary.

Under the Scotland Act, the courts have the right to strike down Scottish legislation, and the ultimate court of appeal on these matters is the Judicial Committee of the Privy Council. Although either level of government can refer legislation for a ruling, since devolution there have been no referrals to the courts, with the UK Government preferring [as Canada does] to rely on political or administrative mechanisms (Keating 2005, p. 122). Post-devolution, there have been issues where it was more convenient for legislation on devolved matters to be passed by the UK Government, with the consent of the Scottish Parliament. As this practice became more common it also became more controversial, with critics suggesting that it undermined the Scottish Parliament's ability to rule. In Keating's view (2005, p. 113), this kind of easy accommodation "reflected a general practice in intergovernmental relations in the UK of not testing the division of powers legally, but going instead for a political compromise or accommodation".

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[26] These responsibilities are carried out in conjunction with other portfolios.

As in Canada, the second chamber in the UK has had no effective role in intergovernmental accommodation. It is interesting, however, that unlike Canada, the idea of the Lords representing sub-state governments has not really been considered[27]. Although overall reform of the House of Lords is still in progress, there have been no parallel conversation to Canada, where Senate reform is motivated primarily by regional concerns.

A significant institution that influences intergovernmental relations in the UK, post-devolution, is the civil service. The decision to retain a unified civil service throughout Great Britain[28], even with the establishment of the devolved administrations, was an explicit part of the Blair government's devolution policy. Parry (2004a, p. 52) characterizes the UK model as one of "working within a different accountability but in the same service". Although the Civil Service Code was changed to clarify that devolved officials are responsible to devolved Ministers, they still operate within a common personnel policy and code of behavior. In Parry's view and that of the House of Lords Select Committee on the Constitution (2002), a unified civil service has been a major force for cohesion in intergovernmental relations in the UK post-devolution. This stands in significant contrast to Canada, where each government maintains its own civil service, and protecting jurisdiction is an expectation of civil servants across all governments.

The Political Context

A key mechanism for intergovernmental accommodation in the UK during the period of this research was the political party system, as until 2007 Labour controlled both the Westminster and Scottish Parliaments.

Politicians may have incentives to behave in certain ways to enhance their power, but generally they do so within political organizations that have their own histories,

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[27] Jim Wallace, the former leader of the Scottish Liberal Democrats, suggested a partial 'federalization' of the upper chamber, appointing the First Minister and other party leaders from the devolved administrations.
[28] Northern Ireland has a separate civil service.

ideological traditions, formal rules, standard operating procedures, and significant interpersonal relationships (Hopkin and Bradbury 2006, p. 136). For most of the post-1945 period Labour has been the dominant party in Scotland and Wales, and in 1997 it also broke through in England. Devolution was the realization of an important objective of Labour's political manifesto: indeed, 'making devolution work' trumped and guided almost all aspects of centre and regional relationships within the Labour Party during the period of this research[29].

Within the Labour Party the Scottish and Welsh parties operate as regional units of the British party; there is no separate structure or membership. Many decisions are under control of the centre (for example, candidate selection, leadership selection, political campaigns, and programs and policies in both Scotland and Wales). Post-devolution, Labour took pains to adapt to a revised structure of power wherein the autonomy of sub-state governments to make their own policies in areas under their control was respected while the overall unity of the party was maintained (Hopkin and Bradbury 2006, p. 149).

Personal relationships, including Gordon Brown's[30] being Scottish, were also important to intergovernmental relations following devolution. Jim Wallace (2006), the former leader of the Scottish Liberal Democrats, highlighted that personal relationships were invaluable in oiling relationships between the two administrations. Hazell and Paun (2006, p. 16) suggest that, under Labour domination, all participants had a shared interest in papering over serious differences of opinion. The main way that this was accomplished was through regular contacts between Labour politicians, who cleared matters through bilateral phone calls or meetings in various party contexts (Keating 2005, p. 126).

An example of congruence of approach between Labour at the centre and in Scotland related to the adequacy of Scottish powers as outlined in the Scotland Act. Despite media and other political party calls for more powers or even independence, Labour

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[29] Prior to 1997, the Liberal Democrats were also committed to devolution. Although initially opposed, the Conservative Party has now accepted it as a fact of life.
[30] Gordon Brown was Chancellor of the Exchequer from 1997. He became Prime Minister in 2007.

First Minister McConnell (2006) heralded the achievements of home rule, and the need to focus on making the fullest use of the powers the Scottish Parliament already had before demanding more. Labour politicians believed that accommodation of differences would always be possible as long as they remained in charge at both the centre and in the Scottish Executive. This changed in 2007, when the Scottish National Party (SNP) for the first time won a Scottish national election, effectively eliminating the party system as a means of intergovernmental accommodation. In her assessment McEwen (2007, p. 600) predicts that "the Canadian experience suggests we might also expect a rockier road in Scottish-UK intergovernmental relations".

The Role of Finances in Intergovernmental Relations

Although the Scottish Parliament has access to some limited tax-raising authority, during the period of this research most funding was provided by the centre through a block grant guided by an arrangement called the Barnett formula. This predates devolution and largely removes the need to negotiate the overall allocation between the centre and the devolved administrations. Once allocated, the distribution of public expenditure between the services under the control of the devolved administrations is up to each of the devolved administrations to determine. Scottish Executive activities relating to labour market programs and services are part of this unconditional block. Historically, UK spending in Scotland has been higher than in England; as well, post-devolution, overall funding to Scotland has increased (ESRC 2006).

These financial arrangements in the UK have two direct impacts on intergovernmental relations. First, unlike Canada, there were no clashes between UK governments about the adequacy of fiscal transfers. Second, given that all funding was provided on a block basis, the Scottish Executive was able to control and manage its funds without having to *account to* or *report* in a detailed fashion to the UK Government. Although there are accounting processes for European Union funding, this does not impact relationships between governments within the United Kingdom. The fact that there were no major clashes over financial transfers, as there

were in Canada, significantly decreased intergovernmental tension and conflict. With respect to labour market policy, Scottish Executive budget increases enhanced not only the Scottish Executive's motivation for collaborative working across orders of government, but also their capacity, credibility, and legitimacy.

Intergovernmental Relations in the United Kingdom

Given this overall context in the UK, the intergovernmental relations system set up post-devolution was very different from what has developed over time in Canada. Certainly there were no grand plans for intergovernmental relations in advance of the devolution settlement and much of the machinery was developed as a pragmatic response, as necessary (McEwen 2003, p. 12). Parry suggests that two working styles could have been chosen—the interdepartmental or the diplomatic model—with the interdepartmental model the preferred choice with mechanisms for conflict resolution should the intergovernmental process turn diplomatic, especially if nationalist parties assumed office (Parry 2004a). This interdepartmental model focused around an overarching Memorandum of Understanding, supplemented by devolution guidance notes for civil servants, written concordats and service level agreements at the departmental and policy level, and an overriding expectation that informal relations between officials would dominate.

Intergovernmental Actors and Their Interests

Unlike Canada, during the period of this research there were almost no officials in any part of the UK whose job was dedicated to intergovernmental relations. At the centre, devolution was under the responsibility of the Department of Constitutional Affairs, whose various responsibilities included running the courts, the justice system, human rights, elections, modernizing the constitution, as well as devolution. From a UK Government perspective, most of the work in managing intergovernmental relations fell to officials in the Scotland and Wales offices. At the devolved level in 2003, the Scottish Executive established a new UK Relations Unit within the office of the Permanent Secretary to ensure that ongoing connections and networks between the UK Government and Scottish Executive officials at the

functional level were being maintained. This unit was set up as the First Minister felt that it was important to ramp up the devolution effort and make sure it was top of mind and coordinated across the Scottish Executive (interview with SE official March 4, 2005). Most contacts were expected to be handled between departmental officials. Although in the early days of devolution many Whitehall departments had key contacts handling devolution, by 2005 (when these interviews were undertaken), this liaison role had been largely disbanded (interview with Whitehall official April 11, 2005).

Even though civil servants in the devolved administrations now work for different political masters, they are still part of the Home Civil Service. As a result, their interests continue to be significantly aligned—they share common values, commonly understood rules of the game, and a common culture. In Rhodes' view (1988) the 'rules' governing intergovernmental relationships in the UK[31] include pragmatism, consensus, fairness, accommodation, secrecy, depoliticization, summit diplomacy, and trust. A local government official interviewed through this research characterized the UK civil service as a hierarchical, centralizing, 'one size fits all' organization, with an identifiable chain of command with Treasury at the top (interview April 27, 2005). An advocate for persons with disabilities used the word 'understated' to describe the UK civil service culture:

> *They need to de-problematize everything…it only becomes a problem if they admit it. Civil servants have to hold the line, say that all is well or else the Minister will be upset. They don't want to rock the boat as their role is to keep it steady—therefore if it starts rocking this can be seen by Ministers as due to the ineptitude of officials, and it would be up to officials to sort it out. For them, to rock the boat would therefore be tantamount to them shooting themselves in the foot (interview December 8, 2005).*

With common political direction and a common understanding of the role of a civil servant, during the early days of devolution covered by this research, there was no evidence of the type of jurisdictional power seeking that has been described in Canada.

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[31] Although these rules relate to relationships between the centre and local authorities, there is no reason to believe that these values would be any different with a regional layer of government.

Intergovernmental Institutional Structures

A non-statutory, multilateral Memorandum of Understanding outlining relations between the UK Government and the devolved administrations, post-devolution, was developed in 2001 with the agreement of all parties. Although tabled with the European and External Relations committee of the Scottish Parliament, they did not discuss the substance of any of the issues raised (interview with Scottish Executive official November 24, 2005), reconfirming that, like in Canada, the executive dominates intergovernmental relations in the UK.

This memorandum details principles relating to communication, consultation, cooperation, exchange of information, confidentiality, and correspondence, as well as the establishment of a key institution to manage the relationship—the Joint Ministerial Committee (JMC). The JMC is intended to take stock of relations, generally (including the interface between devolved and reserved issues), and resolve disputes, meeting at the 'First Minister' level or in 'functional' format as necessary. However, the expectation was that the bulk of intergovernmental relations would occur at the level of officials (McEwen 2003). Devolution guidance notes were developed for civil servants, outlining that the principal channel of communication between administrations was expected to be through bilateral links between relevant departments of each administration, at officials or Ministerial level. Working practices between individual departments of the administrations were set out in concordats, internal guidance notes, and working level documents[32]. Although quite elaborate and detailed in some cases, these gave the last word to central government (Keating 2005, p. 122).

The overall message across all governments in the UK during the period of this research was that there should be ongoing informal communications and 'no surprises'. This was to occur through informal sharing of policy work in progress between Whitehall officials in line departments and the devolved administrations,

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[32] In November 2007, there were 22 written concordats posted on the Scottish Government website.

ongoing dialogue on issues, mechanisms to identify cross impacts between devolved and reserved issues, and internal processes to resolve any concerns.

The Joint Ministerial Committee involving First Ministers has not met since October 2002 and, according to a UK official at the centre interviewed through this research, there were no plans or interest on the part of any of the administrations to convene one (interview April 11, 2005). Multilateral JMC meetings were felt to be a poor use of Ministers' time; with each devolved administration having different interests, an agenda was sparse. The only Joint Ministerial Committee held related to this research was a series of meetings, in 2000 and 2002, on poverty. Despite a commitment to action by all governments and a list of follow up activities from the 2002 meeting, no further meetings were held.

Although Ministers had met for a while on health and the knowledge economy, Woods commented that "JMCs on health have been little more than friendly discussions among political allies" (Woods 2004, p. 336). At the functional level, only the Joint Ministerial Committee for Europe met regularly[33] to act as the venue for negotiations and consultations on the UK line in EU negotiations. The most common practice was bilateral, ad hoc Ministers' meetings on problematic policy issues as needed. There were also regular conversations and meetings between Scotland's First Minister and the Secretary of State for Scotland to ensure open and meaningful dialogue (interview with Whitehall official December 8, 2005).

In conclusion, processes to manage government to government relationships in the UK during the period of this research were often incidental, ad hoc, and mostly invisible. The formal intergovernmental arrangements that had been developed, post-devolution, were not widely used in practice, and the informal arrangements between civil servants and politicians in place pre-devolution continued to dominate. In comparison to Canada, one could even question whether relationships between the centre and the devolved administrations in the UK could be considered as 'intergovernmental' at all.

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[33] They met five times in 2006, nine times in 2005 and 11 times in 2004 (Jones 2007, p. 44).

A number of assessments of intergovernmental relations in the UK have been undertaken (House of Lords 2002, McEwen 2003, Parry 2004, Horgan 2004, Keating 2005, Trench 2005, Cairney 2006, Jeffery and Wincott 2006, ESRC 2006). These authors used similar words to describe intergovernmental relations in the United Kingdom immediately following devolution: 'low key', 'understated', 'relaxed', and 'harmonious'. The House of Lords Select Committee on the Constitution (2002) and the response of the UK Government (2003) were particularly illuminating. The House of Lords committee suggested more use of the formal mechanisms for inter-governmental relations including the Joint Ministerial Committee, greater openness with respect to the concordats, more attention to the machinery of intergovernmental relations at the centre, and the establishment of processes to review the Barnett formula by an independent and impartial body. In its response, the UK Government claimed that most of these suggestions were unnecessary (UK 2003). The common refrain on the part of UK officials was, "If it ain't broke, don't fix it" (interview April 11, 2005).

There are a number of explanations as to why there were so few disputes in the UK during the period of this research. In the ESRC's view (2006), Labour dominance meant relatively little ideological difference between the various parts of the UK, and a common electoral interest in presenting a united front. There have been generous increases in public spending in the devolved administrations, and flexibility was built in so that the division of powers could be easily adjusted if the parties agreed. In addition, extensive work was done behind the scenes by officials and Ministers to minimize and diffuse disputes, reinforced by ingrained habits of cooperation between officials and departments. Certainly, the absence of compelling financial issues and how resources were shared across the country (as was evident in Canada during the period of this research) eased intergovernmental relations in the UK, post-devolution.

Another reason for the lack of disputes in the UK is suggested by Robertson (1978), based on the Canadian experience—hierarchical control from the centre. This control

was implicit, not explicit, and required a careful balancing act by Labour politicians as well as UK Government officials. There appeared to be great discomfort in even acknowledging that the Scottish Executive was the Scottish Government, and during the period of this research UK officials were very careful to describe sub-states not as governments but as the 'devolved administrations'[34]. This issue will be explored in greater detail as part of the analysis of intergovernmental relations in labour market policy in each country.

Conclusion

This chapter has considered a wide variety of overall factors which influence intergovernmental relations, and compared these factors in the Canadian federal system to similar factors in the devolved UK over the period 1996 to 2006. Figure 3 which follows provides a summary of the key country features in Canada and the United Kingdom outlined in this chapter that impact intergovernmental relations within any policy sector.

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[34] Presentation by UK Government official at ESRC conference March 18, 2005.

Figure 3: Comparison of Key Country Features Impacting IGR

Factor	Canada	United Kingdom
Time frame	140 years	8 years
Name	Provincial governments	Devolved administrations
Constitution	Each government sovereign	UK Government in control
Asymmetry	11 governments considered equal within their jurisdiction	3 small administrations vs. powerful centre
Structure of IGR	Bilateral and multilateral	Bilateral
Powers	Generally divided	Generally shared
Sub-state tax raising ability	Strong	Weak
State of national transfers	Decreasing to provinces	Increasing to devolved administrations
Transfer technique	Historically cost shared	Historically block
International influence	Minimal	Medium through EU
Degree of regional diversity	Strong across entire country	Strong in only 3 regions
Social citizenship	Diversity often trumps	UK state historically trumps
Public opinion	Canadians seek IGR collaboration	Scots open to disagreement with UK Government
Influence of legislatures	Weak	Weak
Influence of cabinets	Weak	Weak
Influence of judiciary	Weak	Weak
Influence of second chambers	Weak	Weak
Influence of other institutions	Weak	Medium
Integrating civil service	Weak	Strong
Integrating party system	Weak	Strong
Actors interests & values	Diverse	Similar
Presence of central IGR actors	Many	Few
First Minister institutions	Medium	Mostly unused
Multilateral institutions	Generally strong	Mostly unused
IGR Agreements	Primarily substantive	Primarily procedural
Conflict	Ubiquitous	Contained

The shear number of overall country variables impacting intergovernmental relations within any policy sector is extensive. When examined in summary form, it is evident that, with respect to the overall constitutional, social, political and institutional structures, this is indeed a most different comparison. Despite the desire of the Canadian Fathers of Confederation to unite under a constitution "similar in principle to that of the United Kingdom", the analysis in this chapter confirms that the differences between federal Canada and the devolved United Kingdom are substantive and significant.

In terms of key differences impacting intergovernmental relations, Canadian provinces are more powerful that the UK devolved administrations (they are more diverse, there are more of them, they are constitutionally protected, and have the ability to raise their own funds); relationships in Canada are multilateral, interprovincial and bilateral, whereas in the UK they are only bilateral; political parties and the civil service in Canada provide no integrating mechanism, as was present in the early years of devolution in the UK; and over the years more formal intergovernmental structures and processes have emerged in Canada than in the UK to handle the inevitable conflict. The only similarities between the two countries consistent with the themes in this chapter were with respect to the Westminster parliamentary system, where legislatures, cabinets, the judiciary, and second chambers in both countries played similar but minor roles in intergovernmental relations. This re-confirms the initial assumption of this thesis that intergovernmental relations in each country are executive dominated.

This concludes the preliminary assessment of the overall context under which the intergovernmental relations system in labour market policy operated in the two case study countries. Although these contextual factors may influence intergovernmental relations at the sector or functional level, they do not predetermine it. There may be other elements relating to the policy sector itself that influence intergovernmental relations. These are considered in the next chapter of this thesis starting with the Canadian case study.

CHAPTER 4: INTERGOVERNMENTAL RELATIONS AND LABOUR MARKET POLICY IN CANADA

> *It would not be possible [he argued] to follow the British example and have Ottawa implement a national [labour market] system because, unlike Canada, the British are not afflicted with the federal system (Bryce Stewart* [35] *as quoted by Hunter 1993, p. 15).*

In Chapter Three the broad social, political, constitutional and institutional structure of the case study countries was explored, setting the overall context for intergovernmental relations within any policy sector. This chapter starts the exploration of intergovernmental relations within the labour market policy domain, and, as in Chapter Three, the analysis starts with the Canadian case study. In order to capture all relevant information, federal-provincial relations are examined not just within what is considered 'labour market' policy, but also, to some degree, within social services, immigration, and postsecondary education. This is necessary because labour market programs in Canada are segmented by client group and intergovernmental interaction is often dealt with by the forum responsible for the client group.

Three key elements of the analytical framework outlined in Figure 2 are assessed in this chapter: central and sub-state intergovernmental actors, the influence of external actors, and the policy domain. The analysis starts with the labour market policy domain and the intergovernmental dynamics that have played out in the sector over time, particularly with respect to the division of powers. As will be evident from this historical review, 'path dependency' is significant, with federal-provincial conflict evident over a sustained period of time. Devolution, and federal-provincial relations post-devolution, are examined next considered within the context of the issues that governments grappled with between 1996 and 2006. The analysis of the policy domain concludes with a review of what has been discovered about the intergovernmental machinery used in Canada in this policy field, and the degree to which this has been institutionalized.

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[35] Bryce Stewart was the Director of the Canadian Employment Service between 1918 and 1922; he is considered the key architect of the Canadian Unemployment Insurance program.

The analysis then focuses on the intergovernmental labour market actors, and considers how their interests, expectations, values, experiences and capacity motivated them to take the actions described. This is followed by an assessment of actors external to government who are involved in the policy sector, and the influence they brought to bear on intergovernmental actors during the period of this research. The chapter concludes with a discussion of some of the key factors that have resulted in continuing intergovernmental conflict in this particular policy domain.

As outlined in Chapter One, it was not possible to examine relationships between the central government and all provinces in Canada. Instead, the primary focus is on the relationship between the Government of Canada and the Government of Alberta[36]. Alberta has been chosen as the key sub-state comparator to Scotland in the United Kingdom because it is considered a 'strong' province and, during the period of this research, it remained fully committed to Canadian federalism. It was also the first province to sign a devolved Labour Market Development Agreement (LMDA). Neither Ontario nor British Columbia had implemented devolved agreements during the period of this research. However, relationships between the centre and these provinces will also be examined, restricted by more limited information gathering than was carried out in Alberta.

The Policy Domain

Historical Developments and Battles over Jurisdiction

There is no mention of labour market policy in the division of powers under the British North America Act, and from the country's beginning both federal and provincial governments have been involved. Although the federal government has responsibility for overall macro-economic policy, post-confederation most policy instruments relating to human resource development were considered to be under

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[36] For brevity the terms 'Canada' and 'Alberta' are sometimes used to mean 'Government of Canada' and 'Government of Alberta'.

provincial jurisdiction[37]. As a result, the various employment centers, labour exchanges, relief measures, and vocational and technical education programs established before the Second World War were set up by provinces and supported by federal conditional grants (Hunter 1993).

Over time, these provincially delivered employment services came under increasing criticism, with failings attributed mostly to divided jurisdiction and joint administration. There was also federal-provincial wrangling over federal relief funds (Royal Commission 1940). Concerned over the mobility of labour and capital in a federal state, pressure built on the federal government to intervene directly in the labour market. However, it took the extraordinary conditions of the Depression and the inability of cash strapped provinces and municipalities to provide adequate relief to the unemployed to convince provinces and all political parties to agree to an amendment to the British North America Act[38]. By the end of the 1930s, all provinces had agreed to strengthen federal jurisdiction in labour market policy by allowing the Government of Canada to run a contributory Unemployment Insurance (UI) scheme and a national employment service. Alberta was the final holdout. At the time, it was felt that these two functions were inextricably linked, with an efficient employment service providing the foundation for the Unemployment Insurance scheme. With the passage of the UI Act in 1940 all provinces, except for Quebec, disbanded their employment services (Hunter 1993).

During the 1950s and 1960s the Government of Canada created a system of federal offices across the country providing Unemployment Insurance benefits as well as employment services. These federally-run offices expanded their services to include not only those eligible for UI, but also other groups facing labour market barriers: recent immigrants, people of aboriginal descent, visible minorities, people with disabilities, women, older workers, and youth (Haddow and Klassen 2006). The federal government also used their spending power to encourage provincial

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[37] Under Section 93 of the 1867 BNA Act, making laws with respect to education (and, by inference, training), hospitals, asylums, charities, and eleemosynary institutions are exclusive powers of provincial legislatures.
[38] In 1933, nearly a quarter of the country's labour force were unemployed and an estimated 15 percent of the population were on some form of relief (Banting 2005a, p. 97).

expansion of labour market programs, as vocational education, training and last resort social assistance remained under provincial jurisdiction. Cost-sharing financial incentives were the key mechanism, including the Technical and Vocational Assistance Act (1960), the Canada Assistance Plan (1966), and the Vocational Rehabilitation for Disabled Persons Act (1962).

Good working relationships developed between the federal government and the provinces over these initiatives (Bakvis and Aucoin 2000, p. 4). On the manpower training side, a number of mechanisms were put in place between officials to manage this federal-provincial interaction, building on an Advisory Commission and a Vocational Training Council that had been started in 1942 (Doern 1969).

The conditional-grant approach was not without problems. Not only were some of the poorer provinces unable to come up with their matching contribution, many provinces felt that the federal 'appetite-whetting grants'[39] distorted provincial priorities. Quebec, in particular, objected on the basis that conditional grants constituted a federal trespass, via the spending power, on provincial legislative responsibility. Likewise, federal officials became concerned over a lack of visibility and an inability to adequately control provincial programs and priorities. This led to dramatic changes in how the federal government intervened in the labour market, and how they coordinated their activities with provincial governments.

In 1965, the Government of Canada "staked its claim in the vocational-manpower field" (Doern 1969, p. 70) by setting up the Department of Manpower and Immigration, a fully-fledged and integrated manpower development department with an extensive network of Canada Manpower Centres across the country. In 1966, Prime Minister Pearson unilaterally asserted that employment was a matter of federal responsibility and jurisdiction. That same year, the federal government also announced that it would withdraw from the vocational education of young people, and assume full responsibility for the training of adults, providing in its mind some

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[39] Comments by Alberta Premier Manning at the Dominion-Provincial Conference, 1960 (Ottawa, Queen's Printer, 1960, pg. 75).

semblance of constitutional clarity and consistency regarding education (Doern 1969, p. 67).

They also decided that they would purchase training from whatever seller they preferred, including not only provincial institutions but also employers and private schools. With the passage of the Adult Occupational Training Act in 1967, provincial operating officials found the entire structure of federal-provincial liaison in a shambles. Negotiating the changes required by the new federal legislation led to lengthy, difficult, and acrimonious exchanges between federal and provincial officials, who often held conflicting value sets, with provincial 'educationist' officials pitted against the 'economists' in the federal service (Dupré 1973, p. 198). Having encouraged provincial expansion through conditional grants, the Government of Canada was now withdrawing from the use of the provincial infrastructure they had helped create.

During this time, two new structures for intergovernmental relations emerged: the Federal-Provincial Meeting of Officials on Occupational Training for Adults, and the Council of Ministers of Education Canada (CMEC). In Dupré's view (1973, p. 201), CMEC was set up by provinces in 1967 as a 'counter-structure' to federal domination following the difficult negotiations over adult occupational training.

In the 1970s, some provincial governments re-established their own employment services for groups that were not well served by federal programs or that were viewed as strategic. In Alberta, the Employment Opportunities Program was set up in 1970 by the Social Services Department to provide rehabilitation, training, and job placement services for social assistance recipients. The province also increased its focus on basic skills training for the disadvantaged, and set up a network of Career Development Centres to provide labour market information and counseling services. In 1977, Alberta was booming, and labour market issues, competitiveness, and the importance of a skilled labour force were high on the provincial agenda. Provincial elites did not feel that the province was being adequately served by federal programs (interview with former Alberta civil servant May 16, 2007).

Throughout the 1980s, the federal Department of Manpower and Immigration made further changes to its employment programs and policies through the National Training Act (1982), the Canadian Jobs Strategy (1985), and the Labour Force Development Strategy (1989), continuing its efforts to reassert control over the sector by moving purchases from provincially run community colleges to the private sector, and by increasing the involvement of business and industry as a counterbalance to federal-provincial bargaining. To control spending, active measures were shifted from a charge to the Consolidated Revenue Fund (funded by general taxes) to the Unemployment Insurance account (funded by employer-employee contributions), and budgets that served non-UI clients were reduced overall. To strengthen the involvement of other labour market partners, national Sector Councils were formed, providing opportunities for employers, employees, educators and other stakeholders to address skill development issues within specified sectors[40]. Drawing on the European experience with 'corporatist' forms of decision making, in 1991 the Canadian Labour Force Development Board involving business and labour stakeholders was established nationally, and efforts were made to expand this provincially and locally. Following the election of the Chrétien Liberals, in 1993, the Government of Canada also embarked on a high-profile review of Unemployment Insurance, as well as social assistance and training, and many longstanding federal-provincial cost-sharing arrangements were questioned (Bakvis and Aucoin 2000, Haddow 2000, Haddow 2003, Haddow and Klassen 2006).

These mostly unilateral federal actions were met with considerable provincial resistance. Shifting training purchases from community colleges to the private sector undermined the viability of provincial institutions. Reduced federal spending on active measures and tightened eligibility for federal Unemployment Insurance meant that some people were forced to rely on provincial, not federal programs, increasing provincial social assistance caseloads and costs. Provinces were suspicious that national and provincial Labour Force Development Boards under federal control would try to influence provincial policy making. Many provinces (including Alberta)

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[40] By 2006, these had expanded to 32 industry-specific partnerships.

refused to participate or set up their own provincial boards with no federal involvement (Ontario, British Columbia, and Quebec). Haddow suggests that federal-provincial relations in labour market policy throughout this period were 'chilly' (Haddow 2003, p. 248).

Provinces were also dealing with their own broader problems, exacerbated by the recessions of the early 1980s and 1990s. Social assistance caseloads had increased significantly, and as a result welfare to work programs became a very significant feature of all provincial social assistance programs. As provincial caseloads increased, the federal government in 1990 unilaterally made changes to the Canada Assistance Plan, and then in 1995 eliminated it completely with the establishment of the Canada Health and Social Transfer, integrating all federal contributions for health, postsecondary education, social services, and social assistance into a block grant. Provincial funding allocations were slashed in exchange for fewer federal conditions. This left provinces free to reform their social assistance programs as they saw fit, resulting in what some advocates characterized as "the hardening of the welfare system towards the people it was set up to serve" (National Council on Welfare 1997, p. 7).

In addition to benefit reform, provinces became increasingly involved in active labour market policy. As the role of the welfare recipient was redefined from passive receiver to active job seeker, welfare workers became career navigators, with provincial bureaucracies a key provider of labour market programs, either directly or through third-party delivery agents. By 1996, every province had restructured its social assistance delivery system, often amalgamating their welfare and employment bureaucracies provincially and sometimes also with federal manpower offices through various co-location and single-window initiatives (Gorlick and Brehour 1998). In Alberta, co-location experiments were implemented, providing one stop services for people that had previously been served by two provincial government departments and the federal Manpower Department, now renamed Human Resources Development Canada (HRDC).

Although federal and provincial Ministers responsible for labour market matters had met, from time to time, since 1983, it was not until 1993 that they committed to establish the Forum of Labour Market Ministers (FLMM), promising to meet at least annually to set and implement an agenda of intergovernmental labour market projects (FLMM 1993). Social Services Ministers also had a history of collaboration, and it was through this forum that federal-provincial labour market issues for persons with disabilities were considered.

Part of the rationale for these forums was to deal with federal-provincial overlap and constitutional grey areas: training, in particular, was an area of ongoing debate. Provinces had long maintained that this was an area of exclusive provincial jurisdiction since training is a form of 'education'[41]. Federal involvement in adult training was particularly sensitive in the province of Quebec, and the 'Quebec consensus' of 1990[42] asserted that all policies respecting labour force adjustment, including labour market training, were within provincial jurisdiction. On the other side, the federal government marshaled many arguments to counter these claims, asserting that labour market training and adjustment were a natural extension of federal economic development and Unemployment Insurance responsibilities. They also pointed to their involvement in the sector, since confederation, through the spending power, and that many aspects of labour market policy and training were not only in the national interest, but required coordination across and beyond provincial borders.

By the early 1990s, Quebec had concluded that harmonization with federal programs was impossible, and sought a transfer of federal responsibilities to eliminate overlap and duplication and make labour market services more efficient, economical, and coherent (Quebec 1993). Quebec succeeded in getting this on the First Ministers' agenda, and, as part of the mega-constitutional negotiations of the early 1990s, all

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[41] Conceptually, education and training have few differences, although training is generally viewed as being more job-focused. Today the word 'learning' is often used, seen as even broader and to occur throughout the life cycle.
[42] This involved the Government of Quebec and representatives of management, labour and the cooperative sector and was affirmed in the Quebec National Assembly on December 13, 1990.

First Ministers agreed to the Charlottetown Accord, and a rebalancing of federal-provincial roles in the labour market:

> *[Notwithstanding exclusive federal responsibility for Unemployment Insurance]… labour market development and training should be identified as a matter of exclusive provincial jurisdiction…At the request of a province, the federal government would be obligated to withdraw from any and all training and labour market development activities, except Unemployment Insurance,…and provide reasonable compensation to provinces requesting that the federal government should withdraw…There should be a constitutional provision for an ongoing federal role in the establishment of national policy objectives for the national aspects of labour market development (Charlottetown Accord 1992, section 28).*

Federal manpower officials were not involved in these negotiations, as it would have undermined the objectives they had historically pursued; instead, it was negotiated by federal and provincial intergovernmental officials (Haddow 2003, p. 250). In any event, the Accord was ultimately defeated by the Canadian electorate in the fall of 1992.

This historical review of labour market policy in Canada, pre-devolution, demonstrates periods of federal-provincial cooperation, overshadowed by conflict and continuing disputes over jurisdiction. When, in 1940, provinces reluctantly agreed to a constitutional amendment authorizing the Government of Canada to run a contributory Unemployment Insurance Program and a national employment service, the labour market policy instruments that remained under provincial control became even more jealously guarded, especially by the province of Quebec. During both the 1960s and 1990s, the federal government unilaterally dismantled the cost-sharing arrangements with provinces that they had put in place, exacerbating federal-provincial discord. Over time, provinces expanded their role in the policy domain, stimulated first by federal funding, but in later years by unique provincial imperatives. The province of Alberta, for example, increased its involvement because it perceived that the centrally-run federal employment service was not responsive enough to its needs; the province also entered the field because of its social assistance responsibilities. In Quebec the dynamics were different, attuned more to a desire to gain control over as many policy levers as possible. These factors—jurisdiction, efficiency and retrenchment—came together in the mid 1990s

when the continuing domination of the labour market policy domain by the Government of Canada became a lightening rod for the Quebec sovereignty movement.

Devolution and Transfer to the Provinces: Conflict Resolved?

In the lead-up to the second Quebec referendum on sovereignty, in 1995, Prime Minister Chrétien felt that he needed to demonstrate flexibility in recognizing the legitimacy of some of Quebec's complaints. During the final week of a campaign which the federal government appeared to be losing, in what one provincial official called "a fit of panic" (interview October 4, 2006), Chrétien, in a speech in Verdun, Quebec, explicitly recognized that provinces had primary jurisdiction over labour market training. The next year, the federal Liberals brought in changes to the Unemployment Insurance legislation, including a broad-based offer to all provinces and territories to transfer responsibility for the design and delivery of active labour market programs. Non-constitutional reform became the overall Liberal approach to renewal of the federation.

The Government of Canada objectives for what were to become known as Labour Market Development Agreements (LMDAs) were outlined in its December 1995 announcement of a new Employment Insurance (EI) plan to replace Unemployment Insurance (UI): 1) to recognize provincial responsibility for education and labour market development; 2) to harmonize the design, management, and delivery of federal employment benefits with provincial programs, eliminating overlap and duplication and coordinating services wherever possible; 3) to improve the effectiveness of employment programs; and 4) to improve program flexibility and address local labour market needs (HRDC 1995). These were federal objectives and a federal plan: there was no evidence that either the Forum of Labour Market Ministers or any particular province were involved in determining the parameters of the offer or how it was to be implemented[43].

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[43] The offer was certainly informed by the provisions of the Charlottetown Accord, a previous offer to Quebec that had been turned down, and by general FLMM discussions.

Although these were the articulated reasons for the offer, the main motivator was the reduction of intergovernmental conflict in light of the Quebec sovereignty movement. A secondary motivation was to reduce federal costs and staffing, given the overall cutbacks the federal government was undertaking in order to bring the federal deficit and debt under control (interview with provincial official October 4, 2006). Since the federal government could not be seen to be making 'special deals' for Quebec, Alberta was targeted as the province that would go first (interview with provincial official October 2, 2006). All negotiations were handled bilaterally between the Government of Canada and individual jurisdictions, and Alberta signed the first agreement on December 6, 1996. By 1998 agreements had been negotiated in all provinces and territories except for Ontario.

Authorized through Part 11 of the Employment Insurance Act, 1996, LMDAs were administrative arrangements concerned with the funding and delivery of active labour market programs[44]. The agreements prescribed how much money was available, how funds could be used, and who could be served. Since the funding for all services came from the Employment Insurance account (paid for through employer and employee contributions), most of the program funding could only be used to serve people with a significant workforce attachment. People who had not contributed to the EI account but who may be most in need of active measures (e.g., immigrants, disabled people, youth, and aboriginal persons) could not be served through these agreements. In fact, funding for active measures for these groups was specifically *not* part of the offer to provinces, as the federal government fully intended to continue to serve these groups either directly by federal employees or through various partnership arrangements[45] (Klassen 2000b).

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[44] These are referred to in the EI legislation as 'Employment Benefits and Support Measures'.
[45] During the period of this research Canada served disabled people through the Opportunities Fund Program; aboriginal persons through the Aboriginal Human Resource Development Agreements (AHRDAs); adult learners through the National Literacy Secretariat; youth through the Youth Employment Strategy; immigrants through the Immigrant Settlement and Adaptation Program; and employed people through the Workplace Skills Strategy.

Through the negotiation process, two types of agreements emerged: transfer and co-management. The full transfer model (or what came to be dubbed by academics and civil servants as the devolution model) involved provinces (and territories) assuming responsibility for the design and delivery of active measures within the federal funding and eligibility constraints. Transferred federal staff became provincial government employees, and provinces and territories agreed to account for results according to three specific indicators. Full transfer agreements were negotiated in Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Northwest Territories, and Nunavut, representing 43 percent of Canada's population. Under the co-management model, there was no transfer of resources (either funds or staff) to the province or territory, but instead a process of joint management of policy, program design and delivery. Co-management agreements were put in place in British Columbia, Yukon, Prince Edward Island, and Newfoundland and Labrador. Nova Scotia's agreement was termed a 'strategic partnership' and was similar to the co-management model; these models represented 18 percent of Canada's population (Klassen 2000b). After eight years of acrimony, a full transfer agreement was finally concluded with Ontario in November 2005, representing almost 39 percent of the Canadian population.

Alberta was motivated to sign a LMDA agreement because it provided an opportunity to have full control, with federal funding, over the design, management, and delivery of active measures within the province (interview with provincial official October 2, 2006). Not only did the agreement remove an irritant (because the Government of Canada officially recognized labour market training as a provincial responsibility), it also enabled Alberta to assume an expanded role and align federal programs with provincial priorities and programs. Within the context of a stable political environment, Alberta officials were confident that they had the capacity to deliver the federal programs, given their existing policy expertise and regional networks in the Social Services and Career Development departments. In their view, a transfer of federal responsibilities would improve services to the public, eliminate overlap and duplication, and increase flexibility by allowing more decisions to be

taken at the provincial and local level (interview with provincial official June 22, 2006).

While Alberta had no significant problems in acknowledging a continuing federal role in the national aspects of the labour market or the reporting and accountability requirements, the province wanted to ensure that they were not seen simply as a contractor delivering federal programs, but as a government exercising its jurisdiction (Bakvis and Aucoin 2000, p. 18). Following the transfer of federal staff and resources[46], in 2001 Alberta reconfigured its departmental structures, integrating both active and passive labour market measures, as well as employment standards, workplace health and safety, and labour relations into a new department —Alberta Human Resources and Employment (AHRE). All in all, the transfer went smoothly, as intergovernmental relationships within the province were already strong, given the collaborative work through the Canada-Alberta Service Centre experiments. Reflecting back on this experience, provincial researchers concluded that these experiments "contributed to the trust, flexibility and positive working relationships required for the successful integration of former federal staff into the provincial operation" (AECD 1999, p. 12). Speaking in 2006, an Alberta Assistant Deputy Minister attributed the successful implementation of the LMDA to extensive communications, respect and goodwill between the partners, ongoing staff consultation processes, and a federal willingness to demonstrate flexibility[47].

During this period, responsibility for labour market policy was not the only area that the Government of Canada was devolving: they also took action on services to immigrants and aboriginal persons. Starting in 1996, authority to meet the labour market needs of aboriginal persons[48] was moved from direct delivery by Human Resources Development Canada staff and delegated to aboriginal organizations across Canada through Regional Bilateral Agreements, then Pathways, then the

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[46] By 1999-2000 in Alberta, 204 federal employees and $112m annually had been transferred. A total of $1.85 billion from the EI account was available nationally to provinces/territories.
[47] Presentation by Alberta ADM to the Ontario Labour Market Symposium November 24, 2006.
[48] Under the constitution, the Government of Canada has responsibility for 'Indians and lands reserved for Indians'. This has created contested and complex arrangements between federal, provincial and aboriginal governments in a wide range of policy areas.

Aboriginal Human Resource Development Strategy (AHRDS). Constitutionally immigration is an area of shared federal and provincial jurisdiction. In 1991, the Government of Canada signed a comprehensive agreement with the province of Quebec[49], and, in 1996, it offered to devolve settlement services to interested provinces. These included reception, referral, and employment services; language training; and a host program to match volunteers with newcomers. Manitoba and British Columbia were the only provinces that entered into devolved settlement agreements with the federal government; during the period of this research, Alberta operated under a co-management model. In 2007, a more comprehensive agreement was signed.

Settling In: Conflict Re-emerges

A number of authors have examined the implementation and initial operation of the Labour Market Development Agreements and the impact this had on both federalism and labour market policy in Canada (Bakvis and Aucoin 2000, Klassen 2000b, DiGiacomo 2001, Bakvis 2002, Critoph 2003, Haddow 2003). The period 1996-1998 (when most Labour Market Development Agreements were negotiated and implemented) was a time of classic executive federalism, with federal and provincial officials and individual Ministers working intensely behind closed doors. The federal offer of 'maximum devolution, an accountability framework and funding' was specifically constructed so that it would be difficult for Quebec's Parti Québécois Government, as well as other provincial governments, like Alberta and New Brunswick, to turn down. The overriding goals of both partners was to 'make it happen', given the high-profile nature of the offer and provincial acceptance. Following the narrow defeat of the Quebec referendum, there was a sense of political crisis, and a willingness on the part of the federal government to demonstrate flexibility and goodwill in federal-provincial relations (Bakvis and Aucoin 2000).

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[49] Through the Canada-Quebec Accord, Quebec sets immigration targets, selects immigrants and provides orientation, integration and settlement services.

While the offer had the support of the Prime Minister and Quebec Ministers, it had not been discussed either in cabinet or in the social and economic development committees of cabinet (Bakvis and Aucoin 2000). Pre-devolution federal Members of Parliament had been regularly involved in the implementation of active measures in their constituency. When details of the offer became known, many Members of Parliament, especially in Ontario (the heartland of federal Liberal support), became concerned over reduced federal visibility. By the time these concerns had been identified, high-profile agreements had already been concluded in all provinces except Ontario. Ontario negotiations got bogged down when the Ontario Government was unwilling to guarantee jobs to the 1,000 federal employees to be transferred at a time when provincial employees were being laid off. They were also concerned over 'fair share', that is the inadequacy of the funds being offered in light of the comparatively large contributions that Ontario workers and employers made to the Employment Insurance fund (Bakvis and Aucoin 2000).

This delay gave the Ontario Liberal caucus and key federal ministers in Ontario time to mobilize against an agreement for Ontario. In addition to a loss of visibility, partisan politics became a factor, with federal Liberal Members of Parliament extremely reluctant to see federal programs being placed in the hands of a provincial Conservative Government that they "hated and loathed" (interview with former federal official November 9, 2006). With the federal Liberals divided on devolution to begin with, Ontario became the battleground.

Devolution had also not been discussed with key business and labour stakeholders, including those on the federal Canadian Labour Force Development Board. Rather than a diminished role in training, this organization wanted the federal government to play a stronger role (DiGiacomo 2001). When they considered the possibility of a transfer of responsibility for training to the provinces in the early 1990s, the board expressed concern over provincial capacity to assume federal responsibilities, the balkanization and fragmentation of programs, and the loss of access and funding for vulnerable groups (Critoph 1998). The views of this national organization and its provincial counterparts were ignored, and eventually, by the end of the 1990s these

organizations were closed[50], burdened by an unwillingness on the part of federal Ministers and officials to involve them in the policy making process, an inability of the boards to attract prominent members from the business community, and conflicts among the many constituencies represented (Haddow 2000, p. 39). There was also a chorus of disapproval from other interest groups, concerned about federal abandonment of a national labour market, the development of a patchwork of programs, and impediments to mobility (stakeholder interview November 10, 2006).

Despite the passage of ten years, there have been few assessments of the impact of devolution of labour market policy in Canada. Most information is anecdotal, including comments made through this research. Former federal officials in Alberta who transferred to the province remarked:

> *The province can tailor programs to meet the needs of Albertans much more quickly…we are more in touch with our constituents now, we are able to respond better……devolution streamlined the service, having one main funder simplifies things…provinces are more connected to the people…on balance the LMDA was a good thing for the province and the client (separate interviews with two former federal personnel October 6, 2006).*

In conclusion, it is highly unlikely that, without the Quebec sovereignty referendum, the federal government would have devolved labour market measures. This was a policy area of high federal expertise and presence, supported by an extensive network of field offices that connected directly with Canadians. The offer and implementation of the LMDAs was a case of classic executive federalism, with the Prime Minister's Office acting with selected insiders without consulting other members of the party, let alone Canadians or labour market policy stakeholders external to government. The required legislative changes were pushed through the House of Commons by the Liberal majority, overshadowed by controversial changes to EI benefits.

Although the LMDAs were identified as administrative (not constitutional) agreements, for the provinces that signed devolved arrangements they represented a

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[50] Only Saskatchewan and Quebec have continued to operate provincial boards. Ontario continues to operate local boards. Newfoundland set up a provincial labour market board in 2006.

fundamental reordering of federal-provincial responsibilities in this policy domain (Klassen 2000b). However, from a federal perspective, as administrative agreements, control was retained over who could be served, how success was determined, and how much money was allocated from the EI account. Since the federal government did not relinquish control over non-EI client groups such as youth, older workers, aboriginal persons, immigrants, and disabled persons, jurisdiction in the policy area remained divided. Despite devolution, the federal department responsible for labour market matters retained 320 regional offices and 22,000 regional employees[51]. The Government of Canada still provided labour market services directly in the five jurisdictions without devolved LMDAs. Bakvis (2002) characterized the arrangements that evolved over this period as "checkerboard federalism", with differential funding agreements, differential program delivery, and no cohesive national framework. Certainly the arrangements put in place, post-devolution, did not realize the objectives that the federal government had itself set for devolution in 1995. These asymmetrical and haphazard arrangements between federal and provincial governments created the context for a renewed bout of federal-provincial conflict.

Post-devolution Issues and Intergovernmental Relations

In the run-up to devolution the key labour market issue of concern to Canadians was unemployment. Devolution did not deal with the substance of this or any other labour market issue. Instead, it shifted some governance responsibilities—in some provinces and territories—for some unemployed people—from federal to provincial government oversight. In the ten years since devolution the labour market in Canada has changed:

> *We don't lack jobs in Canada, we lack people…we've got 30-year civil servants who have spent their whole lives saying 'how do I create a job'? And now they should be asking, 'How do I create a skilled worker?—And, quite frankly, an unskilled worker' (Snyder as quoted in Saunders 2007).*

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[51] Comments by A. Treusch, Assistant Deputy Minister of Human Resources and Skills Development Canada at Employability Study hearing June 8, 2006.

A range of different issues emerged during the period of this research, including skills shortages, labour shortages, poaching workers across provinces, job retention and advancement, credential recognition, inadequate access to labour market measures for non-EI clients, inappropriate use of the Employment Insurance account, employer underinvestment in workplace training, and incoherence across jurisdictions and between labour market and immigration policy[52]. A common call was for federal leadership to solve these problems[53]. Those seeking federal leadership seemed unaware that with devolution the federal government had ceded key policy tools to provincial governments. The analysis which follows provides an overview of federal-provincial relations around key issues dealt with during the period of this research, organized around the themes of *collaborative* and *unilateral* action.

Collaborative Action

Given the complexity of Canada's federal system, intergovernmental collaboration can occur on a *multilateral* basis, involving the federal government and all provinces, on an *interprovincial* basis, involving just provinces, or on a *bilateral* basis, involving the federal government and one province. There may also be instances where two or more provinces connect.

A logical mechanism for governments to plan and coordinate actions around labour market issues would have been through the Forum of Labour Market Ministers. But instead of more multilateral FLMM Ministers' meetings post-devolution, there have been fewer. Between 1985 and 1995, FLMM Deputy Ministers met 21 times and Ministers 13 times. Between 1996 and 2006, federal-provincial Deputy Ministers met eight times and Ministers only seven, a significant decrease. There have been no federal-provincial Ministers' meetings since June 2003. The last FLMM press release was in 1999, when all Ministers (except Quebec's) agreed to "an ambitious work

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[52] These were highlighted through hearings of the Parliamentary Study on Employability held across Canada between June 2006 and March 2007.
[53] This was the key conclusion from a forum on *Employer Investment in Workplace Training* sponsored by Canadian Policy Research Networks held November 9, 2006, in Ottawa.

plan to address the labour market challenges facing all Canadians" (CICS 1999). Despite their commitment to urgent action at that meeting, no multilateral federal-provincial work has been forthcoming.

Without direct interplay between federal and provincial political actors, it is difficult to attach momentum to the work of officials. Nevertheless, post-devolution, some work continued. In June 1999, the federal government announced that it would provide funding to provinces for the Older Worker Pilot Projects Initiative, and some provinces entered into bilateral agreements. Through the federal-provincial Labour Market Information Working Group all jurisdictions share information and undertake collective projects, and, since 2000 service delivery guidelines, best practice sharing, and resource guides have been implemented [54]. FLMM Ministers are responsible for implementation of Chapter Seven of the Agreement on Internal Trade; this work is managed through the Labour Mobility Coordinating Group. In July 2001 and May 2005, reports were released outlining progress towards mutual recognition of qualifications in 51 regulated occupations managed by over 400 regulatory bodies across Canada (FLMM 2001, 2005).

There was also a strong history of federal-provincial cooperation in employment programs for persons with disabilities (interview with federal official November 8, 2006). In 2003, the Benefits and Services for Persons with Disabilities Working Group developed a multilateral framework to guide bilateral federal-provincial arrangements. In this area, agreements have evolved from the Vocational Rehabilitation for Disabled Persons program, established in 1962, to the Employability Assistance for Persons with Disabilities Agreement in 1999, to the Labour Market Agreement for Persons with Disabilities in 2003[55]. Unlike jurisdictional conflict in labour market policy more generally, Prince suggests that provinces accept continuing federal involvement in disability policy due to a mixture of fiscal prudence, political philosophy, policy pragmatism, and clientele politics (Prince 2002, p. 53).

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[54] These can be found at http://www.flmm-lmi.org/english/index.asp.
[55] Details on the work of this committee are available at http://www.socialunion.ca/pwd_e.html.

Although older worker, labour market information, labour mobility and disability issues were important, by 2002 the key issue that provinces wanted to discuss with the federal government was improving LMDA agreements (interview with provincial official October 4, 2006). Jurisdictions with no agreement or co-managed agreements wanted devolved agreements, and jurisdictions with devolved agreements wanted additional funding and the flexibility to serve non-EI clients. But the Government of Canada was reluctant to engage. Hoping to achieve their LMDA goals, provincial FLMM senior officials worked with federal officials on a Labour Market Framework Agreement in 2004, outlining how governments could work together on labour market policy priorities. When agreement could not be reached on the extent and nature of federal funding that would be needed to realize this vision, the work stalled and was never presented to Ministers (interview with federal official November 7, 2006).

As relations with Quebec eased in the years following the highly charged political atmosphere of the referendum, federal Liberal politicians and civil servants became convinced that not only had the LMDAs taken away federal visibility and a way to connect with Canadians, they had also "ossified" the labour market system, removing the tools the federal government needed to intervene around emerging issues (interview with federal official November 6, 2006). When the decision to devolve was taken it was highly controversial, and, for many federal bureaucrats, their heart was never in it. Self-preservation and a concern about transferring 5000 employees to provincial governments that were perceived to lack capacity were additional issues (interview with former federal official November 3, 2006). By 2002, with Quebec separatism at a low point, Quebec workers expressing concerns over the ineffectiveness of programming through their provincial LMDA, and the continuing protracted fight with Ontario over 'fair share', the idea of negotiating more devolved LMDAs and transferring additional federal authority to provinces became a dead letter. In fact, under the Liberal Party, the Government of Canada moved in the exact opposite direction; every time a policy initiative came forward for consideration a key criterion for success was whether the initiative allowed the Government of

Canada to recapture influence (interview with former federal official November 3, 2006).

Provinces made many attempts to engage federal politicians and officials on LMDA issues. In January 2002, provincial Labour Market Ministers released <u>Skills Investments for All Canadians: the Future of the Labour Market Development Agreements</u>. This was a detailed request for strengthened LMDAs, increased Government of Canada transfers for active measures through both the Employment Insurance and Consolidated Revenue Fund, broadened client eligibility for services funded under the LMDAs, lower EI premiums, and a return to the negotiating table in selected jurisdictions without a devolved LMDA[56]. To support this provincial position, in February 2002 Alberta Human Resources and Employment hosted a conference to review the experience with LMDAs (interview with provincial official October 4, 2006). Although the conference report, <u>Shifting Roles: Active Labour Market Policy in Canada under the Labour Market Development Agreements</u> (Lazar 2002), suggested both a short and long-term agenda for governments as well as other labour market partners, no federal-provincial follow-up action was undertaken.

Later that year provincial labour market Ministers joined forces with their postsecondary colleagues in the Council of Ministers of Education Canada and released a joint report— <u>Working Together to Strengthen Learning and Labour Market Training</u> (CMEC/FLMM 2002)—calling upon the federal government to support key provincial skills and learning priorities through flexible federal financial support. Over time the issue was raised to the Premiers' attention through the Council of the Federation. In February of 2006, Premiers sponsored a Postsecondary Education and Skills Summit, inviting over 300 stakeholders from across Canada including students, colleges, universities, business, and labour to discuss the key issues and challenges in postsecondary education and skills training. The summit was followed, in July 2006, by the release of an interprovincial strategy, <u>Competing for</u>

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[56] British Columbia, Nova Scotia and Ontario had requested negotiations on an initial or different LMDA, but by 2002, the Government of Canada had not responded; hence, this public collective statement.

Tomorrow. The document was provocative on jurisdictional issues. While acknowledging that each order of government had a role to play, it nevertheless asserted that "provinces and territories have exclusive jurisdiction over the design, planning, and delivery of their postsecondary education and skills training systems" (C of F 2006, p. 2). It further noted how the reduction of federal transfers and the fiscal imbalance made it difficult for provinces and territories to improve postsecondary education and skills training programs.

During the period of this research, individual provinces also implemented their own labour market initiatives, supported wherever possible with bilateral federal-provincial agreements. As skills and labour shortages increased and employers pressed the provincial government for action, Alberta developed a series of labour market strategies, including Building and Educating Tomorrow's Workforce (AHRE 2006). As employers looked to immigrants, in particular, to solve their labour shortages, the provincial government entered into agreements with Citizenship and Immigration Canada, on a provincial nominee program, temporary foreign workers, and international students (interview with provincial official October 2, 2006). With a renewed focus on bringing underrepresented groups into the workforce, Alberta also renegotiated and renewed its longstanding federal-provincial agreement on employment programs for persons with disabilities. In 2006 Alberta and British Columbia also entered into a bilateral Trade, Investment and Labour Mobility Agreement, enhancing labour mobility between the two provinces.

Unilateral Action

The lack of federal response to provincial lobbying on LMDAs did not mean that the Government of Canada was inactive in the labour market field, post-devolution. Harking back to the mid-1960s, instead of acting through provinces, it acted on its own and expanded direct federal programming for client groups not included in the devolution offer. One can understand federal retention of the Aboriginal Human Resources Development Strategy, given the existing network of agreements with aboriginal organizations and federal constitutional responsibility for aboriginal

persons[57]. Harder to understand is how federal officials and Ministers squared a willingness to devolve active measures for EI recipients but not youth. In 1997 a renewed federal Youth Employment Strategy was launched. Since the federal government had committed that they would not do 'training', it characterized its youth programming instead as 'learning' (McBride and Stoyko 2000). That same year it also launched a new annual direct spending program for the disabled—the Opportunities Fund[58]—despite its longstanding cost-sharing arrangement with provinces through the Labour Market Agreement for Persons with Disabilities.

One of the most significant post-devolution Liberal initiatives was the Innovation Strategy, a federal commitment to human capital development. In 2002, the Government of Canada released a green paper <u>Knowledge Matters: Skills and Learning for Canadians</u> (HRDC 2002), and held a series of regional events, subject-specific roundtables, and a national summit on skills and learning. None of this directly responded to provincial requests for strengthened LMDAs. Since skills and learning are primarily under provincial jurisdiction, a federal green paper suggesting reforms, accompanied by a high-profile federally-led consultation process, was not well received by provinces. Provinces were also concerned over direct federal spending on university research which set provincial priorities and agendas without consultation (interview with provincial official October 2, 2006). However, from a federal perspective all of these initiatives were perceived as both good politics and good policy. Not only did direct spending avoid the jurisdictional trap, it also increased federal visibility and ensured that spending was directed towards its desired goals[59]. Reflecting back over this period, Bakvis (2008, p. 216) suggests that provinces were prepared to accept federal support for universities as long as it was cast as support for research and development. However, there was little tolerance for

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[57] By 1996 Canada had concluded almost 80 AHRDA agreements in over 400 locations across Canada. In this context, federal-aboriginal agreements are considered 'government-to-government' arrangements.

[58] Details are available at http://www.hrsdc.gc.ca/en/disability_issues/funding_programs/opportunities_fund/index.shtml#1.

[59] This direct federal spending included the Canadian Foundation for Innovation, the Canadian Millennium Scholarship Foundation, the Canadian Research Chairs, the Canadian Institutes of Health Research and the Canada Graduate Scholarships.

an enhanced federal role in other aspects of skills and learning (interview with provincial official October 4, 2006).

After the federal Innovation Strategy consultation, the Government of Canada unilaterally established the Canadian Council on Learning, a Foreign Credential Recognition program, and a Workplace Skills Strategy. The Canadian Council on Learning[60] was set up in 2004 with $100 million in funding over five years— as an arm's length, not-for-profit organization to promote knowledge and information exchange among learning partners, inform Canadians of Canada's progress in learning, and address knowledge gaps. Despite two rounds of dedicated consultation in 2003 soliciting provincial support (Levin and Seward 2003, Public Policy Forum 2003), many provinces (especially Alberta) expressed doubts about the efficacy of a federal agency's judging an area of provincial jurisdiction (interview with provincial official June 12, 2007). With stakeholder support, the federal government proceeded on its own, establishing what Boismenu and Graefe (2004) characterized as 'expert interlocutors' with which the federal government could debate policy options under provincial jurisdiction. In their view, this technique of 'creating expertise' was part of a new federal approach to rebuilding leadership in social policy.

Although credential assessment and licensing for the trades and most regulated occupations are under provincial control, the Government of Canada set up a federal Foreign Credentials Recognition Program in 2003[61] with a $68 million budget allocation over six years. The following year, they announced the Workplace Skills Strategy[62], intended to support increased skills capacity and improved productivity in the workplace. A provincial official agreed that a focus on the workplace did not raise the same jurisdictional red flags as a focus on training and adjustment measures (interview October 2, 2006). The federal government saw workplace initiatives as the way, post-devolution, to recapture a meaningful role in the labour market. When Quebec wanted to use its LMDA funding to do workplace training, federal officials

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[60] Details are available at http://www.ccl-cca.ca/CCL/AboutCCL/WhatWeDo?Language=EN.
[61] Details are available at http://www.hrsdc.gc.ca/en/cs/comm/hrsd/news/2005/050425bb.shtml.
[62] Details are available at http://www.hrsdc.gc.ca/en/ws/index.shtml.

refused to allow the charge. A formal federal official quoted the federal Minister as saying at the time:

> *Hey wait a minute, we're going to do workplace; we gave the provinces the unemployed. We had the plans for training the unemployed. We're going to deal with employers and we're going to deal with the workplace (interview November 9, 2006).*

These examples all provide evidence that, post-devolution, the federal government regretted its devolution decision, were jealous of provincial jurisdiction in the labour market, and were following many different routes to re-establish relevancy in the policy domain. On the other hand, ways to resolve the continuing federal-provincial irritants needed to be found.

In November 2005, in the dying days of the Martin minority Liberal government, the federal government signed bilateral Labour Market Partnership Agreements (LMPAs)[63] with Ontario, Manitoba, and Saskatchewan, involving over $275 million annually. At the same time, Canada and Ontario signed a devolved LMDA agreement and an immigration agreement. Although these LMPA agreements were spun off from the stalled multilateral work undertaken on the Labour Market Framework Agreement, in 2004, the hasty funding offer over a weekend to these select three provinces and its subsequent acceptance by these jurisdictions was seen by other provinces as a break in trust that damaged not only federal-provincial relations, but also interprovincial relations (interview with provincial officials June 6, 2006, October 4, 2006, October 2, 2006).

The LMPA agreements provided for 50 percent of the funding to go to the province as a transfer and 50 percent to be spent directly by the federal government within the province, accompanied by a commitment to joint planning around all labour market programming within the province. Alberta officials felt that their sister provinces had given too much away by sanctioning the re-entry of the federal government into labour market program delivery, recreating a 'two faced system'. Increased federal funding for immigrant settlement services in Ontario but not in Alberta also raised

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[63] These were focused on increasing workplace-based training and enhancing the participation of non-EI clients such as aboriginal people, immigrants, and persons with disabilities.

concerns over fairness (interview with provincial official November 8, 2006). When the Liberal government fell two months later in January 2006, the Conservatives felt no compulsion to support these Liberal initiatives.

Synthesis

This review of post-devolution events demonstrates continuing intergovernmental tension, competition and limited coordination of labour market programs in Canada. Despite some collaborative multilateral activity in labour market information and labour mobility, federal-provincial competition dominated, particularly in the areas of youth and disability programming, foreign credential recognition, workplace issues and through the Labour Market Partnership Agreements. The period was also dominated by increased tension between the federal and Ontario governments over their failure to negotiate a devolved Labour Market Development Agreement. This negatively impacted all multilateral intergovernmental relationships across the country.

Reference has already been made to a variety of intergovernmental institutions that were set up over the years in Canada to manage intergovernmental relations in labour market policy. The final component in the organizing framework relating to the policy domain is an examination of these intergovernmental institutions and processes, and an assessment of how they functioned during the period of this research.

Intergovernmental Machinery

Institutions matter because they constrain social actors. They specify what is permitted and what is not, who is involved, the sequence of moves, the choices of actors, and the information they control. Rules and institutions also reduce uncertainty; as a result, actors create them as a way to achieve their goals. The higher the degree of institutionalization, the more likely it is to affect the behavior of actors independent of their interests.

Federal-provincial and Interprovincial Committees

During the period of this research there were four federal-provincial or
interprovincial forums managing a piece of the multilateral work in labour market
policy in Canada. Face-to-face meetings and teleconferences organized by these
forums provided federal and provincial Ministers, Deputy Ministers and officials
with an opportunity for consultation, negotiation and coordination with respect to
their labour market programs and issues.

The *Forum of Labour Market Ministers* (FLMM) was the most relevant to this
research. When formalized in 1993, Ministers adopted the following objectives:

- To promote inter-jurisdictional cooperation on labour market issues and to
  provide a forum to establish and meet common goals.
- To promote a highly skilled workforce with portable qualifications through
  the development and expansion of interprovincial standards.
- To facilitate Canada's adaptation to changes in economic structure and skill
  requirements.
- To provide an inter-jurisdictional link to participatory structures such as
  labour force development boards

This description was extracted from HRSDC's website in February 2007, and is
obviously out of date given that labour force development boards no longer existed.
There is no dedicated website for the forum as, for example, exists with the Council
of Ministers of Education, the Canadian Council of Ministers of the Environment, or
the Canadian Council of Forest Ministers.

During the period of this research the FLMM was co-chaired by the Federal
Government and a lead province where the lead rotated every two years on an east-
to-west basis[64]. A modest, provincially-managed, secretariat funded 50 percent by
the federal government and 50 percent by provinces, provided support. Most
activities were carried out under the overall supervision of a committee of senior
officials at the Assistant Deputy Minister level from the federal government and all

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[64] During the period of this research lead roles rotated as follows: Alberta (1997), Newfoundland
(1999), Manitoba (2001), Nova Scotia (2003) and Ontario (2005). British Columbia assumed lead
province responsibility in April 2007.

provinces. Agendas were set by mutual agreement and most work was done via teleconference. Standard processes were in place for interprovincial discussions before deliberations with the federal government took place. Although cautious, Quebec was an active participant. When work advanced to a certain stage, Deputy Ministers became involved, and then Ministers, either through teleconference or face-to-face meetings supported by the Canadian Intergovernmental Conference Secretariat (CICS). The two ongoing sub-groups (the Labour Mobility Coordinating Group, and the Labour Market Information Coordinating Group), also made up of officials from the relevant federal-provincial departments and co-chaired by the federal government and a willing lead province have already been mentioned. Other sub-groups were set up from time to time around selected issues; for example, an interprovincial sub-group on LMDAs and a federal-provincial sub-group on career development were also set up during the period of this research (interview with provincial officials September 20, 2006 and October 4, 2006).

In addition to the FLMM, other Ministerial committees were relevant. Labour market issues impacting persons with disabilities were managed by the Benefits and Services for Persons with Disabilities Working Group under federal-provincial *Social Services Ministers*. Arrangements were similar to the FLMM, with Social Services Ministers supported by a small provincially run secretariat that rotated annually. The Social Services Forum was more active than the FLMM, with ten sub-committees and Ministers who often met twice a year (interview with federal official November 8, 2006). Over the past ten years Social Services Ministers have collectively designed and successfully implemented a number of pan-Canadian initiatives: the National Child Benefit, Early Childhood Education/Child Care Accords, and the Labour Market Agreement for Persons with Disabilities[65].

Immigration Ministers started meeting in 1999 and, since then, have met twice a year to set immigration targets and discuss other immigration issues. Unlike the FLMM and Social Services tables, intergovernmental relations in immigration during the period of this research were managed by the federal government, who also provided

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[65] Details of these initiatives are available at http://www.socialunion.ca/menu_e.html.

secretariat support. Although there was a co-chaired officials' planning table, the federal Immigration Minister chaired the meeting. There were no processes for interprovincial discussion, and in this forum Quebec acted as an observer, not as a participant (interview with provincial official October 4, 2006).

The *Council of Ministers of Education Canada (CMEC)* was the longest-running established institution related to this research and Ministers generally met twice a year. Funded 75 percent by levies on provincial governments and 25 percent by the Government of Canada, provincial Education Ministers are supported by 40 staff and a permanent secretariat located in Toronto. CMEC is the vehicle used by provinces to consult and cooperate on education matters (including postsecondary education) with each other, as well as with national education organizations, the federal government, foreign governments and international organizations[66]. The Government of Canada is not a standing member of CMEC and, during the period of this research, provincial Education Ministers remained adamant that CMEC be retained a strictly interprovincial forum (interview with provincial officials October 2, 2006, November 2, 2006)[67].

Over the years, there have been many attempts by the federal government to transform CMEC into a federal-provincial forum (including bribery through federal funding), but provinces have rebuffed these efforts every time (Cameron 2005). Instead, as is appropriate, federal Ministers are invited to select meetings to discuss specific issues that concern provinces. Not having standing at the CMEC table irritated federal officials interviewed through this research, who thought that a multilateral Ministerial forum to deal with postsecondary issues on an ongoing basis would be helpful. In the absence of a formal institutional structure they tried to influence provincial action through the CMEC Secretariat and through informal

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[66] Although CMEC's mandate is identified as 'education', it also plays a role in labour market issues, especially with respect to international vocational education and training and as host for the Canadian Information Centre for International Credentials. See http://www.cmec.ca/international/indexe.stm.
[67] As an exception to this all agreed that ongoing federal-provincial discussions on student assistance were required, and there was a F/P/T Deputy Ministers' table in this area.

connections at a variety of levels. The contradictions in this forum were described in this way by a provincial official:

> *Much of what CMEC does is paid for by the feds, it's really amusing. They annoy the heck out of the feds as the feds want to come to meetings and provinces insist on this fiction that they are not members by having them to lunch instead of to meetings, or by convening after lunch for a pseudo meeting that's not really CMEC. But at every CMEC meeting the federal Deputy Minister or federal Minister is generally lurking somewhere in the building. So the institutional arrangements are a bit weird, as CMEC is provincial-territorial only (interview November 2, 2006).*

There was considerable issue overlap between these four multilateral forums, and coordination was dealt with in an 'ad hoc and organic' fashion. When skills and learning became a joined interprovincial issue this meant that the FLMM and CMEC institutional structures needed to find ways to coordinate, and joint Ministers and Deputy Ministers' meetings evolved. Similarly, Social Services and FLMM had joint meetings on labour market issues relating to persons with disabilities (interview with provincial official October 4, 2006).

In addition to these pan-Canadian multilateral committees involving political and administrative actors, there were a number of ongoing bilateral federal-provincial meeting structures at an officials' level. In Alberta there was the Canada-Alberta Liaison Committee, where labour market officials at the Assistant Deputy Minister level from Alberta and the Regional Director-General level from Canada met semi-annually to coordinate their policies and exchange information. Although there was no standing federal-provincial committee to coordinate the LMDA within Alberta, there was a joint committee responsible for the LMDA Evaluation. On immigration matters a standing Canada-Alberta committee on Temporary Foreign Workers was set up in 2006 to look at ways to speed up federal processing, given the backlog in the federal system. Although there was no structure at the provincial level to coordinate federal-provincial disability or youth programs, these structures existed if they were perceived as helpful at the regional level. For example, in Calgary there was a Funders' Table on Immigration that, in addition to the provincial and federal governments, also included the City of Calgary and the United Way. In Calgary there was also a dedicated federal-provincial group to coordinate programs for persons

with disabilities. Federal and provincial officials often participated directly in the other party's contracting decisions (interviews with federal and provincial officials working in Alberta October 2006).

What was noteworthy about all of these structures (with the exception of the Calgary Funders' Table) was that they were all strictly intergovernmental in nature; none involved other labour market partners such as business, industry, or civil society groups.

Agreements

Even more so than federal-provincial committees, federal-provincial agreements codify and bind partners to concessions that may have been accepted in the heat of conflict or commitments undertaken on a mutual basis. There were a number of agreements—both substantive policy coordination and procedural cooperation (according to Poirier's (2001) classification)—that codified and structured intergovernmental relations in labour market policy. The following Canada-Alberta agreements were significant during the period of this research.

The Canada-Alberta Labour Market Development Agreement is a detailed 33-page bilateral agreement outlining the terms and conditions of devolution. The agreement is indeterminate and there is an 'equality of treatment' clause that would allow Alberta to re-open the agreement if another province negotiated a more beneficial LMDA.

Although the Canada-Alberta Labour Market Agreement for Persons with Disabilities is a bilateral arrangement, it is based on a multilateral framework negotiated between all federal-provincial governments (except Quebec). The two-year bilateral agreement is a continuation of a longstanding federal-provincial partnership in this area[68].

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[68] The agreement was due to expire March 31, 2008.

Although no funds were exchanged, there were also substantive policy agreements relating to the labour market integration of immigrants. The Canada-Alberta Agreement on Provincial Nominees was signed in March 2002 and allowed the province to actively participate in the immigration process by identifying and designating an agreed-upon number of nominees who met specific labour market and economic needs. In 2003, agreements were also signed relating to information sharing and international students. Since 2001, settlement programs and services for immigrants have been governed by a six-page Canada-Alberta Statement of Understanding. Through this process, both governments actively coordinate the settlement funding and services they each provide to immigrant serving agencies within the province.

There was one agreement providing 'procedural cooperation'. In 2005, federal and provincial Social Services Deputy Ministers felt the need to develop an Intergovernmental Cooperation in Social Services Matters Protocol, emphasizing courtesy, respect, honesty, transparency, and timeliness.

There were also interprovincial agreements; the key agreement related to this research was the BC-Alberta Trade, Investment, and Labour Mobility Agreement, which gave investors, businesses, and workers in both provinces access to a large range of opportunities across all sectors.

Informal Relations

Outside of these processes, coordination of many labour market activities between the Government of Canada and the Government of Alberta was handled on an informal and ad hoc basis, if at all. While ad hoc and informal connections allow for easy adaptation to changing circumstances and provide maximum autonomy and flexibility, reliability is a problem.

At the political level, given that Canada's federal and provincial political parties are not integrated on a national basis, there were no structured processes and few

opportunities for federal and provincial politicians from the same party to connect informally. In any case, intergovernmental relations must routinely cross party lines and for Alberta this was difficult during the period of this research. This was because Alberta was ruled by a Progressive Conservative Party which had very little in common with its Ottawa Liberal counterparts.

In youth programming attempts were made in 2000 and 2001 to develop a Canada-Alberta youth protocol (based on a multilateral framework developed in 1999), but, when this failed, informal coordination arrangements continued. In the view of a provincial official, governments competed through their contracting arrangements and overlapped in the services they provided to youth in Alberta and a more formalized protocol would have been helpful (interview October 6, 2006). For persons with disabilities, the implementation of Service Canada[69] and the transfer of administrative responsibility from the Alberta region to Ottawa for the Labour Market Agreement for Persons with Disabilities broke some of the informal trust ties used to coordinate federal-provincial relations (interview with federal official September 28, 2006). Despite the significance of labour market issues for aboriginal persons, it was only through informal connections that any coordination took place. There were no federal-provincial-aboriginal committees or agreements at the national or provincial level concerned with how federal labour market funding through Indian and Northern Affairs Canada or HRSDC coordinated with provincial programming.

Also of significance was how some of the key organizations working in the labour market policy area on behalf of the Government of Canada—Sector Councils, the Foreign Credential Recognition Secretariat, and the Canadian Council on Learning—related to provincial governments. None had a formal process for engaging with provinces, and, as a result, often did not do so. In general, Sector Councils did not reach out to provinces, although they had recently been encouraged to do so by federal officials (interview with Sector Council official November 10, 2006). In the absence of formal institutional structures between the federally funded Sector Councils, the Foreign Credentials Recognition Secretariat and the Canadian

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[69] Service Canada consolidated delivery staff from many federal departments into a single structure.

Council on Learning, informal relationships with each provincial government prevailed. None of the Alberta officials interviewed through this research commented on these federal agencies, calling into question their effectiveness when the order of government responsible for program delivery was not engaged. While informal relations are the backbone of any relationship, the problem with relying on them exclusively is that they are dependent upon the knowledge, skills, and initiative of individuals. In today's environment of changing governments and changing people this provided many opportunities for issues to fall between the cracks or remain unresolved.

Interests, Values, Expectations, Experiences and Capacity of Intergovernmental Actors

The stage has now been set to examine central and sub-state intergovernmental administrative actors in Canada in more detail, in order to determine what motivated their actions (both substantive policy and process procedural) during the period of this research. Returning to the analytical framework in Figure 2, in this part of the chapter their interests, expectations, values, experiences and capacity to act are examined, starting with the views of actors at the centre, followed by actors in Alberta, and then in Ontario and British Columbia.

Figure 4: Labour Market Actors and their Relationships in Canada

Government of Alberta　　　　　　　　　　　　**Government of Canada**
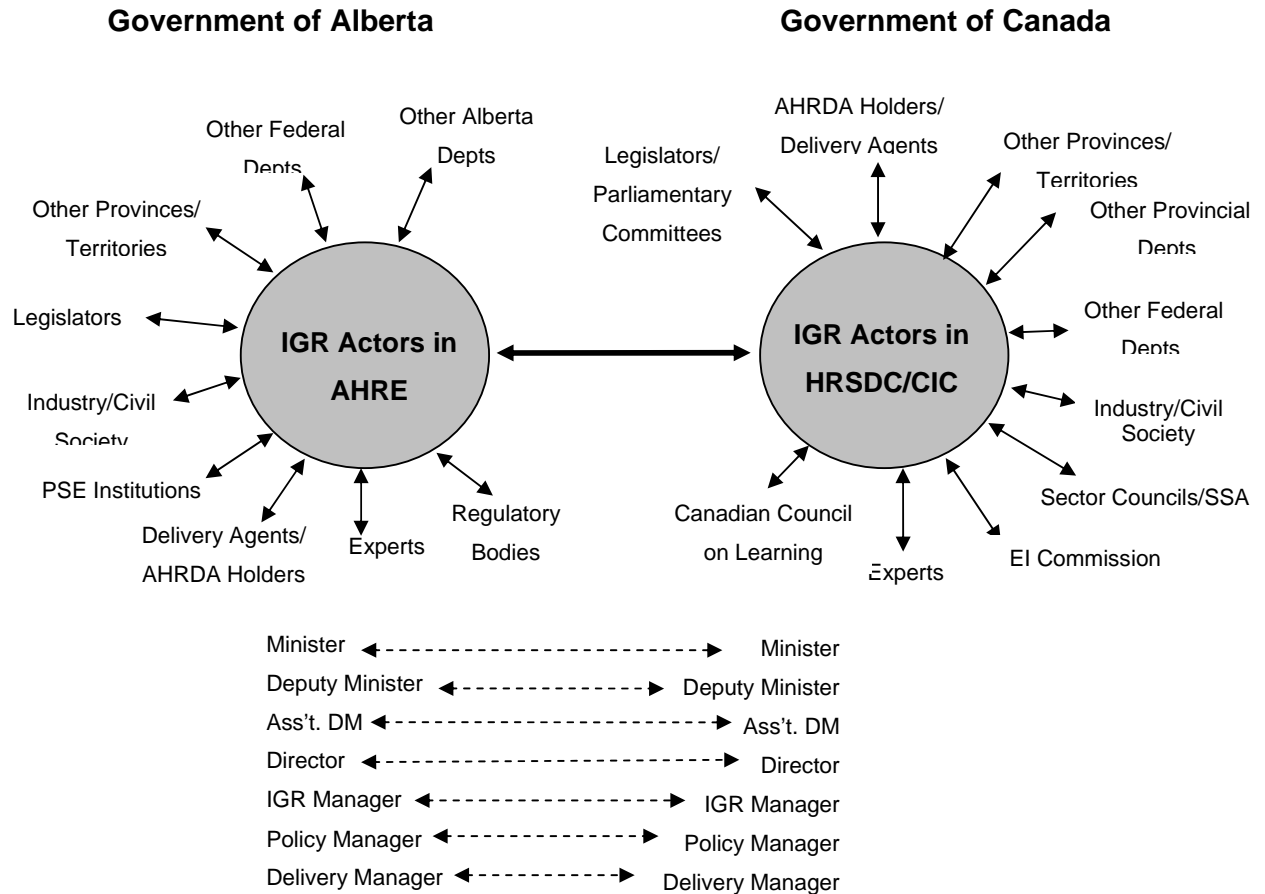
Figure 4 portrays the actors that were involved with labour market policy in Canada during the period of this research. Reflecting on the actor-centered institutional approach outlined in Chapter Two as well as executive dominance, intergovernmental actors working in labour market policy for the Government of Alberta and the Government of Canada have been placed at the centre. In Alberta this function was assigned to the department of Human Resources and Employment (AHRE), with some involvement from Alberta Learning and International and Intergovernmental Relations (IIR). Although IIR oversaw intergovernmental relations for the province, direct responsibility was carried out by the applicable line department. During the period of this research AHRE was responsible for the Forum of Labour Market Ministers as well as Immigration Ministers[70], and shared

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[70] AHRE assumed responsibility for Immigration Ministers in 2003.

responsibility for Social Services Ministers with Alberta Children's Services and Alberta Seniors and Community Supports. As Alberta Learning had responsibility for education at the primary, secondary and postsecondary levels, its Minister sat on the Council of Ministers of Education Canada. Given the significance of federal and interprovincial relationships to the activities of AHRE, a dedicated unit headed by an Executive Director with nine staff coordinated all departmental intergovernmental activity. This unit provided support to the Minister, Deputy Minister and Assistant Deputy Ministers (as well as the rest of AHRE staff), as they interacted with their colleagues from across Canada.

From a federal perspective the key department responsible for labour market issues during the period of this research was Human Resources and Social Development Canada (HRSDC)[71], with Citizenship and Immigration Canada (CIC) taking the lead on matters relating to immigrants. The Privy Council Office oversaw all intergovernmental relations but, as in Alberta, key responsibility was assigned to line departments. Service Canada and Indian and Northern Affairs Canada were important interdepartmental partners. Since intergovernmental relations were an important focus for both HRSDC and CIC, each had dedicated intergovernmental staff units (37 in HRSDC and nine in CIC, including stakeholder relations). HRSDC was responsible for the Forum of Labour Market Ministers, Social Services Ministers, and the Council of Ministers of Education Canada[72]. Citizenship and Immigration Canada carried responsibility for the Forum of Immigration Ministers.

Relationships between governments consist of individual relations between people from different governments; these individuals relate primarily to colleagues who occupy a similar role within their respective organizations, (for example Minister to Minister, Deputy Minister to Deputy Minister, etc.) The complexity of policy files

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[71] For a brief period between 2003 and 2005 Human Resources Development Canada was split into two Ministries: Social Development Canada and Human Resources and Skills Development Canada. They were recombined in 2006 under a new name Human Resources and Social Development Canada.

[72] Although it did not participate directly, HRSDC closely monitored developments in CMEC. It was also involved in intergovernmental Ministers' forums related to seniors, housing, homelessness, and labour.

and the number of individual relationships was particularly challenging for the federal Minister of Human Resources and Social Development. When Minister Solberg took over his new portfolio, in the spring of 2007, he commented that he had "55 provincial-territorial counterparts in my new job", dealing with issues relating to children, seniors, unemployed, women, disabled, aboriginal persons, social services, education and postsecondary education[73]. His predecessors who covered these files during the period of this research faced similar challenges in terms of the sheer volume of relationships.

View from the Centre

In order to advance in the federal civil service in the National Capital Region (Ottawa), the ability to speak both official languages (French and English) is essential[74]. Since the only places in Canada where one is exposed to both languages while growing up is Quebec, New Brunswick, and parts of eastern Ontario, most senior federal civil servants involved in labour market policy originated from a small geographic area of the country, effectively excluding central, eastern and western Canadians from advancement. This language requirement also meant that most provincial civil servants (except from Quebec and New Brunswick) were excluded from joining the federal public service (interview with provincial official September 28, 2006).

As previously mentioned, during the period of this research the Government of Canada was routinely called upon by international organizations, other countries, stakeholders, and citizens to demonstrate national leadership, set national frameworks and standards, and ensure that similar services were provided throughout the country. As a result, federal actors were encouraged to protect, expand, and advance federal jurisdiction wherever possible, regardless of the constitutional division of powers (interview with former federal official November 9, 2006). The

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[73] Testimony at Human Resources, Social Development and Status of Persons with Disabilities Parliamentary Committee May 15, 2007.
[74] Although only 65 percent of all positions in the National Capital Region are designated bilingual, at senior levels this increases to 100 percent. Although French-language training is available, it is very difficult to learn a second language as an adult.

Government of Canada also had deep historical roots and expertise in labour market policy due to its management of the Employment Insurance program and the public employment service. All of these factors led federal officials to seek consistency in programming across the country, and visible Government of Canada red flags to ensure that Canadians saw the relevance of their national government. The instinct of federal officials and Ministers was to act directly whenever possible; when blocked by the division of powers they used the federal spending power to smooth out federal-provincial relations and influence provincial action. When federal money was transferred to provinces federal officials wanted targeted conditional funding, with accountability mechanisms to ensure that Canadians saw the federal contribution and that the money was spent as intended (interview with federal official November 7, 2006).

The withdrawal of the federal government from labour market policy through the Labour Market Development Agreements went completely against this expansionary federal tendency, and both through their implementation and subsequent actions federal actors demonstrated their desire to stay in the game and re-assert control. It is noteworthy that the LMDAs were set up under federal legislation, making provinces the agents (in law) of the federal crown. This ensured that the federal government retained some control over the public employment service as a safeguard should Employment Insurance caseloads start to increase. A former federal official noted that HRSDC officials did not regard these arrangements as devolution: "that is the wrong word, as it implies a constitutional transfer of responsibilities…the LMDA is a contribution agreement, a transfer of resources" (interview November 9, 2006).

Once the initial transfers were done and the immediate political imperative eased, self-preservation reasserted itself, with no desire on the part of federal officials or politicians to transfer additional responsibilities. Although keen to engage with provinces on a variety of issues, federal officials found the provincial 'mantra' of only wanting to talk about more federal money for provincial programming (with no strings attached) unappealing (interview with federal official November 6, 2006). On the other hand, they knew that 'money talked', and when it was offered provinces

would usually engage. However, this willingness varied from one province to another. Federal officials viewed Alberta as professional in its approach to intergovernmental relations, coming to the table with a solid understanding of the issues it faced. In terms of labour market policy Alberta was considered "a good solid promoter, ally and actor" (interview with federal official November 6, 2006). This contrasted with the biggest player, Ontario, who in the opinion of federal officials, (two separate interviews November 6, 2006) were generally loath to cooperate with the federal government on labour market policy, impacted by larger political grievances and the ongoing 'melodrama'. Post-LMDA, federal officials perceived an ongoing useful relationship in labour market policy with the province of Quebec (interview with federal official November 6, 2006).

In terms of personal experiences, many federal officials involved in labour market policy had had longstanding involvement first with the Quebec-Ottawa dispute over labour market jurisdiction, and then with the eight-year highly politicized Ontario-Ottawa fight over 'fair share'. In 2000 HRSDC took a highly publicized beating through the media over an audit scandal that made federal officials extremely sensitive to accountability issues and media attention (Sutherland, 2001).

View from Alberta

Alberta officials involved in labour market policy during the period of this research could be described as confident, combative, and assertive in terms of their relationships with their federal counterparts. As Canadians moved west after the Second World War, the province became populated with transplanted easterners, many of whom joined the provincial civil service. As a result, Alberta officials saw themselves as committed to Canada and nation-building, but not at the expense of giving up provincial jurisdiction (interview with provincial official October 4, 2006). Like the Government of Canada, provincial government elites were comfortable with expanding provincial jurisdiction (even if it rubbed up against the division of

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powers) if it was perceived to be in the provincial interest[75]. One provincial stakeholder characterized Alberta political direction as "anywhere, anytime, anyhow where you can get more control from the federal government, do it" (interview October 5, 2006). Over the previous 20 years, Alberta had invested significantly in building civil service capacity and expertise in the labour market policy domain, and was viewed as a leader in labour market information in particular (interview with federal official September 28, 2006). Although Alberta intergovernmental actors were concerned about protecting provincial jurisdiction (particularly in education matters), they conceded the legitimacy and usefulness of a federal role in the labour market (interview with provincial official October 2, 2006).

The Government of Alberta wished to be a key player in shaping and defining Canadian labour market policy, and was willing and able to play a leadership role (interview with provincial official October 4, 2006). In the context of stable political leadership over the entire period of this research, when the province emerged from the 1995-1997 cutbacks in provincial staff, not only did AHRE have the financial capacity to assign civil service resources to intergovernmental files, AHRE staff participated directly in four intergovernmental forums, providing them with expertise, credibility, and an ability to connect intergovernmental issues across forums[76].

Particularly given the robust financial health of the province, there was no interest or need to exchange provincial jurisdiction for money, and Alberta would not have agreed to the federal re-insertion into labour market program delivery through the Labour Market Partnership Agreements signed by its sister provinces of Ontario, Manitoba and Saskatchewan (interview with provincial officials October 4, 2006 and November 8, 2006). Alberta officials actively engaged in intergovernmental dialogue not only to shape national interests, but also to prevent federal actions perceived to

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[75] Immigration provides an example of provincial interests. Until 2003, immigration was viewed as a humanitarian issue. It was not until immigration became a labour market issue that the province desired additional jurisdiction (interview with provincial official October 4, 2006).
[76] During the period of this research AHRE staff supported the FLMM, Social Services Ministers, Immigration Ministers and Labour Ministers. The only forum related to this research that they did not participate in directly was CMEC.

be contrary to provincial interests. If federal money was on the table, Alberta officials negotiated for the province's 'fair share' and objected to the 'special deal' and funding arrangements negotiated between the Canadian and Ontario Governments with respect to immigration and labour market issues. The Alberta Government fought the strongest for as few strings as possible to be attached to federal transfers; the provincial view was that the Government of Alberta reported to Albertans, not to the Government of Canada (interview with provincial official November 8, 2006). The Department of International and Intergovernmental Affairs ensured through their interdepartmental linkages that all provincial departments were aware of this provincial position in their intergovernmental negotiations (interview with provincial official September 28, 2006).

Alberta civil servants had a strong institutional memory over the unilateral federal funding cutbacks in the mid 1990s, and a lingering distrust of the Government of Canada:

> *Federal officials are like an onion, you never trust them, and you are never sure what they are up to and what hand they are playing… the fiscal issues, those federal cuts created without consultation and any sense of common cause were devastating… I learned that lesson—many have not but other provinces have—that when you get in bed with the federal government you need to think where you might end up in the morning, you may end up on the floor (interviews with provincial officials September 28, 2006 and October 2, 2006).*

Alberta officials were concerned over special favours for Quebec and wondered whether, given its smaller population numbers and the way the political system operated, it would ever win the Ottawa political game. It was for this reason that ties were being strengthened with other western Canadian provinces through initiatives like the Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (interview with provincial official September 28, 2006).

View from the Rest of Canada

Unlike Alberta and Canada where political direction had been relatively stable, Ontario saw two changes of government over the ten-year period of this research,

and had experienced two more in the preceding ten years. An Alberta official suggested that, as a result, Ontario officials were more conflicted and sometimes even muted in their approach to federal-provincial relations, as they did not always know where their political masters were coming from (interview November 8, 2006).

Irrespective of political party control, over the period of this research Ontario-federal relations were dominated by the ongoing battle over 'fair share'[77], expressed through regular sniping back and forth between the Prime Minister and the Ontario Premier through the media. A former Ontario official characterized Ontario disagreement with the federal government as "homeostasis, the natural order of things" (interview November 1, 2006), and that when the Ontario Premier got too close to the federal government the party suffered defeat at the polls. In his view Ontario, along with Quebec, suffered from "big province disease", wanting to do everything itself and refusing to cooperate with federal officials even on more routine matters. Over most of the period of this research, in both immigration and labour market matters, Ontario officials refused to even talk to federal officials, with "everyone off doing their own thing, resulting in some very bad things happening" (interview with provincial official November 8, 2006).

In addition to the more general 'fair share' issue, a considerable element of this animosity came from federal refusal to resume negotiations around an Ontario LMDA. When the offer was first made to all provinces and territories in 1996, Ontario negotiations broke down over the adequacy of federal funding and the employment guarantee to federal staff. By 2001, when Ontario indicated that they would agree to the federal conditions, Canada refused to return to the table (interview with provincial official November 2, 2006). An Ontario stakeholder suggested that:

> *The failure to negotiate a LMDA in Ontario caused instability in the labour market development system, tenuous funding arrangements with community organizations, instability in the delivery system, no sense of where governments were going, and growing gaps in services. There is a bad*

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[77] Although initially focused on the use of the EI account, the term 'fair share' extended to Ontario grievances about any kind of financial sharing within the federation.

relationship between the province and the feds and a lack of trust overall (interview spring 2003).

All Ontario interests were consumed by this federal refusal, and various routes were attempted to make progress. One approach was to link issues such as labour mobility and foreign credential recognition, where Ontario non-cooperation slowed down multilateral negotiations (interview with provincial official November 2, 2006). Linkage was not the only reason for Ontario's reluctance to cooperate on these issues: notwithstanding provincial commitments to the Agreement on Internal Trade, cooperation on mobility issues was generally not in Ontario's interest when it meant that people could more easily leave the province to work in other parts of Canada.

Ontario labour market officials interviewed through this research distrusted the federal government and were relieved when the linked LMDA-LMPA-immigration agreements were finally negotiated at the highest levels in late 2005. It is noteworthy that it took the unusual circumstance of Liberal governments being in charge in both Ontario and Ottawa before LMDA, LMPA, and immigration agreements could be finalized, highlighting the importance of the political party system (when available) in overcoming seemingly intractable intergovernmental problems. Although Ontario labour market officials agreed with Alberta officials that they had 'given up' too much by sanctioning a continued direct federal role in labour market programming through the LMPA, for Ontario this concession was worth the chance to resolve this longstanding federal-provincial fight (interview November 2, 2006) [78].

In the rest of Canada a number of provinces that had initially negotiated co-managed agreements—British Columbia, Nova Scotia, and Newfoundland and Labrador—eventually wanted devolved arrangements, but, like in Ontario, the federal government refused to engage. British Columbia had entered into a co-

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[78] For Ontario these three interrelated agreements resolved many long standing concerns. Ontario finally got a devolved LMDA so it could develop a coherent labour market system; through the LMPA it got the 'fair share' money it perceived it was owed to serve non-EI clients; through the Immigration agreement it got increased per capita federal spending on immigration services within the province (interview with Ontario provincial official November 2, 2006). In exchange the federal Liberals got peace in Ontario in the middle of a highly contested political campaign.

managed arrangement while under New Democratic Party rule. Although officials would have preferred a devolved agreement (especially when they saw the advantages in Alberta), when the provincial Liberals came to power, in 2001, the Premier refused to spend political capital on disputes with the Government of Canada (interview with provincial official September 20, 2006). Officials from these provinces hoped that their multilateral cooperative work on the Labour Market Framework Agreement would provide the means by which federal-provincial working relations could be restored, devolved LMDAs could be secured, and additional federal funding for non-EI clients could flow. Like Alberta, although officials in these other provinces may have been annoyed at the behind the scenes bilateral deals around the Labour Market Partnership Agreements with Ontario, Manitoba, and Saskatchewan, if the federal Liberal government had not fallen, each would have been prepared to enter into negotiations to secure their share of the federal money (interview with provincial official September 20, 2006).

Synthesis

This review demonstrates that the interests, expectations, values, experiences and capacity of intergovernmental administrative actors in key Canadian jurisdictions were highly divergent. Alberta officials were satisfied with their Labour Market Development Agreement, and given, the province's prosperity, did not need the extra funds that Labour Market Partnership Agreements would have provided. Although they supported multilateral activities, they did not need them to achieve their objectives. Alberta's main concern during the period of this research was in securing federal help on immigration issues, and this could be reasonably accomplished on a bilateral basis. They did not share their sister province Ontario's grievance around federal refusal to negotiate an initial LMDA agreement, and the need for additional federal funding to settle the 'fair share' issue. These issues could only be settled bilaterally. Since British Columbia at least had a co-management agreement, they were more willing than Ontario to cooperate around multilateral issues. Federal officials were mainly motivated by the need to protect the continuing legitimacy of the federal government in the policy field, and not give away any more responsibility

and money than was necessary. To demonstrate legitimacy, they sought ways to play a leadership role, even if this meant stepping on provincial jurisdiction by spending directly. If forced to channel money through provinces, it was in their interest to retain as much control as possible through detailed accountability arrangements.

In all cases, both federal and provincial officials were a combination of policy specialists, program managers, and more senior officials, like Deputy Ministers and Assistant Deputy Ministers, who were primarily knowledgeable about labour market policy, not intergovernmental relations. Most had lived in one province their entire lives, and until they had become engaged in intergovernmental relations may have had little exposure to Canadian constitutional issues. These officials were supported by intergovernmental specialists from within their jurisdiction whose key focus as outlined in Chapter Three was on protecting jurisdiction. Although intergovernmental issues were pervasive and often engaged Deputy Ministers, Ministers, and First Ministers on an ongoing and regular basis, what mattered most were issues close to home and the need to respond to their particular constituency. This left the ongoing business of intergovernmental relations in the hands of officials.

There were no national or even provincial conferences on labour market policy that drew labour market specialists from across the country together on a regular basis. Federal and provincial officials in Canada existed in separate worlds and generally did not share similar experiences except through involvement in their professional associations, or when they came together to engage in intergovernmental relations. Living in these separate worlds meant that, for provincial officials in particular, there was little imperative for them to consider pan-Canadian labour market issues—instead they focused on their particular provincial needs and engaged with the federal government only when it was perceived to be in their *province's* interest.

Involvement of Actors External to Government

A concern over pan-Canadian labour market issues often originates with stakeholders external to government. The role and the influence they brought to bear on

intergovernmental actors is considered in the final part of this chapter, as well as the influence of legislators, experts and other governments. This is examined first from an Alberta perspective, and then with respect to influences on the Government of Canada and governments in other parts of Canada.

The Influence of External Actors on the Government of Alberta

In Alberta, actors external to government played a fairly limited role in labour market policy during the period of this research. There were no legislative committees open to public view that considered matters relating to Alberta Human Resources and Employment activities. There were no Alberta government committees dedicated to intergovernmental relations. The most important external actors involved in labour market policy were postsecondary institutions, professional associations, and regulatory bodies, as well as business and labour groups from within the province. Unlike other provinces, Alberta did not establish a corporatist labour market board in the 1990s. Instead it used the Alberta Labour Congress as an informal mechanism for labour market actors to engage in a degree of dialogue (Haddow and Klassen 2006, p. 195). Big industry was particularly privileged through these informal channels, given the importance of the oil industry to the province's prosperity. With a low unionization rate and a history of marginalizing labour, there were more limited connections with unions. Alberta had no provincial sector councils; however, its apprenticeship program has historically had ongoing mechanisms for industry input into trades training. The disability, immigrant and aboriginal communities in the province were well organized and generally heard with respect to public policy. Private for-profit small business service delivery providers, as well as the 13 AHRDA holders operating in the province also provided a degree of influence over provincial labour market policy (interviews with provincial officials October 2, 2006, October 4, 2006).

When external conversations were deemed necessary, the Alberta Government preferred consultations that were targeted, focused, and carefully managed. For example, Building and Educating Tomorrow's Workforce (AHRE 2006) started with

a Minister's Forum on Developing a World Class Labour Force and the release of a draft strategy. Responses to this draft strategy were solicited through the internet and in written submissions. With this input the strategy was reworked and then taken back out to stakeholders through government presentations (interview with provincial official June 12, 2007). A common complaint of Alberta stakeholders was that Alberta consultations were "more like announcements than consultations" (interviews with Alberta aboriginal and union stakeholders October 3, 2006 and October 5, 2006). There was limited media coverage of the intergovernmental dimension of labour market policy in Alberta. The issues of concern were skills and labour shortages, which most Albertans and the Alberta media viewed as a provincial (not federal) responsibility (interview with provincial official September 2, 2006).

The Influence of External Actors on the Government of Canada and Other Governments

In contrast to the low key involvement of external actors on the Government of Alberta, during the period of this research the Government of Canada faced a multitude of actors wanting to be heard on labour market policy. Most professional associations, postsecondary institutions, advocacy, industry, and labour groups from across Canada had national organizations operating out of central Canada whose express purpose was to lobby government, especially the Government of Canada and the Government of Ontario. Stakeholders living within the confines of the Ontario border were, by definition, not only national stakeholders, but also Ontario stakeholders.

Although there were no federal legislative committees that focused exclusively on intergovernmental relations, federal politicians from all parties were involved in subject specific legislative committees (including the Standing Committee on Citizenship and Immigration and the Standing Committee on Human Resources, Social Development, and the Status of Persons with Disabilities) that openly engaged with stakeholders. The Human Resources committee's Study of Employability in 2006-07 has already been highlighted, where they heard from over 100 organizations through written submissions, and over 200 people appeared as witnesses at their

cross-Canada hearings. Many commented extensively on intergovernmental relations, concerned over a diminished federal role and the need for federal leadership. Others called for a pan-Canadian approach to labour market policy and for governments to do more to coordinate their efforts. What was noteworthy about the work of this committee was that no officials (either federal or provincial) who were interviewed for this research commented on its work, calling into question the significance of federal legislative committees to the policy making process.

The Canada Employment Insurance Commission was initially set up, in 1940, to assist government with the management of the Unemployment Insurance Program. During the period of this research, it still played a role in assisting HRSDC to manage the Employment Insurance Program[79]. Although two members of the Commission represent the interests of employers and workers, the Chair and Vice Chair are HRSDC employees and the Commission is required to comply with any directions given to it by the Minister of HRSDC. Given government dominance, labour groups in particular were frustrated as their input was generally ignored (interview with stakeholder October 5, 2006). HRSDC also had ongoing structured processes for dialogue with other significant players in the labour market policy domain, among them the five national aboriginal organizations (with regards to the Aboriginal Human Resources Development Agreements), the 32 Sector Councils (and their umbrella organization the Alliance of Sector Councils), and the Canadian Council on Learning (interview with federal official November 6, 2006).

The Influence of External Actors on Federal-provincial Relations

Although Canadian governments may have individually reached out to labour market partners, during the period of this research they generally did not do this together. An exception was the federal-provincial working group on Benefits and Services for Persons with Disabilities, which met with national disability stakeholders from time to time (interview with provincial official October 29, 2006). A federal official conceded that engaging with stakeholders was a "high risk strategy", especially when

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[79] Details are available at http://www.ei-ae.gc.ca/en/ceic/ceic_home.shtml.

one order of government did it on its own; in his view, governments collectively needed to find new ways to enter into dialogue with the public (interview November 7, 2006). Federal officials who were interviewed through this research (November 7, 2006, and November 8, 2006) expressed irritation that provinces refused to engage with them in national stakeholder consultation. Provincial governments were generally only willing to engage with stakeholders within their province, and through processes that they determined. In the view of a provincial official, the federal government was:

> *very stakeholder sensitive...in the provinces the stakeholders we are working with also have a day job...provinces are not captive to our stakeholders in the same way...the federal government uses stakeholders to browbeat provinces (interview September 28, 2006).*

Most external stakeholders (interviews October 3, 5, 6, 2006, November 7 and 10, 2006) had limited knowledge of federal-provincial relations, indeed they had limited information about any aspects of labour market policy since few reports, evaluations or data were publicly available. There was limited knowledge of the annual EI Monitoring and Assessment Report, which every year since devolution has presented (with provincial input) a detailed analysis of the impact of the 1996 Employment Insurance Reform on income benefits as well as active measures. Media coverage was limited or non existent, and only a handful of researchers followed the work (e-mail from stakeholder November 19, 2007). Despite almost ten years since the first Labour Market Development Agreement was implemented, summative evaluations have been slow to emerge and only British Columbia's was publicly available on the federal website. While a national report on the previous Employability Assistance for Disabled Persons Program had been released in 2002, it was largely descriptive with limited results measures. For the Labour Market Agreement for Persons with Disabilities, there was no national report, but an agreement that each jurisdiction would individually release their report on the same day December 3, the International Day of Disabled Persons (interview with provincial official October 29, 2006). If a person wanted to know what was happening with disability labour market programming across Canada, they would have to know to go to each individual provincial website on this day. In Kershaw's view (2006), citizens are not equipped to be accountability watchdogs in the same ways as auditors or policy bureaucrats in

federal departments. Citizenship and Immigration Canada in their annual report to Parliament (CIC 2006) did highlight federal-provincial activities through a dedicated chapter outlining immigration agreements across the country and activities at the Ministerial level. Similar evidence from HRSDC covering the period of this research could not be located.

'Experts' (the national media, think tanks, and academics) focused most of their attention on the Government of Canada, as opposed to individual provinces. This is because these organizations are primarily concerned about national issues, and very few are physically located outside the centre of Canada[80]. During the period of this research, the Canadian Council on Learning and Canadian Policy Research Networks attempted to mobilize stakeholders across Canada through networks, roundtables and knowledge exchange on issues related to adult learning and work and learning. This resulted in further calls on governments to create a pan-Canadian vision for adult learning and training[81].

As intergovernmental relations are an important component of politics in Canada, every day the national media covers many elements of government-to-government interaction; however, by the time this research was undertaken the 'high politics' coverage of labour market policy had significantly diminished. For the past ten years media and expert attention has been focused on the intergovernmental dynamics of health policy, the environment, and finances. The intergovernmental dimensions of postsecondary education and immigration policy in Canada only started to emerge towards the end period of this research.

International governments or organizations influenced governments in Canada to a very minor extent. Despite sharing a continent, there were no structured processes for governments in Canada to relate to either the United States or Mexican Governments on labour market policy matters. Although Canada signed an International Labour

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[80] Of 14 think tanks in Canada that focused on social policy issues, the author identified that seven were located in Ottawa, three in Toronto, two in Vancouver, and one each in Montreal and Calgary.
[81] See their websites: http://www.ccl-cca.ca/CCL/Home/index.htm?Language=EN and http://www.cprn.com/doc.cfm?doc=1792&l=en

Organization recommendation in 2004 with an explicit reference to the right of adults to learn, there was no evidence that federal and provincial governments had developed concrete plans for its implementation (Canadian Policy Research Networks 2007b). The most significant connection with foreign governments was through the Organisation for Economic Cooperation and Development (OECD), which includes 30 countries dedicated to democracy and the market economy. During the period of this research the OECD undertook two reviews relevant to labour market policy in Canada, including assessments of Canada's social assistance (1999) and adult education (2002) systems. In their case study report on adult education[82], they commented on federal-provincial relations in Canada:

> *There is no subject more contentious than the relationship between the federal government and the provinces. We were reminded, more times than we needed to hear, that education (including adult education) is a provincial responsibility, not a federal responsibility, and there is no federal Minister of Education. Nonetheless, in the realm of adult education, there are a number of clear federal roles (OECD 2002, p. 44).*

One of their key recommendations was that provinces and the federal government should cease defending their prerogatives so fiercely, and instead work towards a more constructive federalism that would benefit all adult education participants (OECD 2002, p. 49-50). No one interviewed through this research mentioned the OECD or any international governments or organizations as having relevance to federal-provincial relations in this policy area.

Synthesis

Labour market stakeholders in Canada interviewed through this research complained that federal values trumped everything, leaving substantive policy issues shunted between governments, effectively preventing forward movement on many compelling issues (interview with advocates November 7 and November 3, 2006). The checkerboard labour market system in Canada meant that programs and services were different in each province for different client groups; as a result, citizens were

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[82] This involved information gathering from federal and provincial governments, as well as in-country visits. Similar detailed reviews were done in 17 OECD countries between 1999 and 2004.

not clear on who did what. Stakeholders were aware of the Forum of Labour Market Ministers but perceived it as unimportant and ineffective (interviews undertaken in Ontario and British Columbia spring 2003). Although the Canadian Labour and Business Center had provided a bridge for informal relations between federal and provincial Deputy Ministers (as all were on the Board of Directors), this was shut down by the new Conservative Government in the fall of 2006 (interview with stakeholder November 10, 2006). Sector Councils were involved to some degree with the Labour Market Information Working Group, but had no formal connections either with provinces or the Forum of Labour Market Ministers (interview with stakeholder November 10, 2006).

This review of the involvement of actors external to government confirms that, during the period of this research, labour market policy in Canada was executive-dominated. Stakeholders were usually not engaged with governments on an ongoing basis on either bilateral or multilateral committees. There were no national bodies that provided advice on labour market matters, and only Quebec and Saskatchewan had provincial mechanisms. Individual government stakeholder consultations appeared like tactics put in place to 'browbeat' the other order of government[83]. Stakeholders external to government were aware that their governments could not seem to work together to solve the labour market problems facing the country, but there was no collective agreement on ways forward to improve the relationship. The lack of institutional structures between governments and with actors external to government solicited this community stakeholder comment:

> *It is very frustrating for us as a community to find ourselves frequently in the position of acting as marriage brokers between different levels of government[84].*

There were no international organizations that played this bridging role. Some stakeholders suggested that nationally-funded Sector Councils could facilitate interaction between the federal government and provinces. Others thought that the

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[83] The federal consultation on the Innovation Strategy in 2002 and the Council of the Federation Postsecondary Education and Skills Summit held in February 2006 were key examples during the period of this research.
[84] Transcript from Study on Employability November 9, 2006 Calgary.

Canadian Council on Learning might be able to play this role (comments at the Workplace Training Conference in Ottawa November 2006). Since neither of these federally funded organizations had any formal linkages with provinces, this would be extremely difficult.

Conclusion

This chapter has demonstrated waves of federal-provincial cooperation and competition in labour market policy over time. Post-confederation, conditional federal funding produced positive intergovernmental relations; as the federal government expanded its jurisdiction and started to spend directly outside of provincial transfers, federal-provincial conflict increased. To reduce conflict, in 1995 the federal government agreed to recognize provincial jurisdiction over training and withdraw from some areas through Labour Market Development Agreements. For those provinces that took on a larger role in labour market policy, this eased federal-provincial conflict; for other provinces that wanted a devolved LMDA and could not get one, federal-provincial conflict remained. What is noteworthy about this federal-provincial conflict is the degree to which it was contained within the bureaucracies of each order of government. Although devolution muted conflict between the Government of Canada and the Government of Quebec, any media reporting on intergovernmental labour market issues focused primarily on the Canada-Ontario dispute.

The checkerboard approach to labour market policy did not satisfy the federal government which wanted to get back into the game, nor did it sit easily with provinces wanting a devolved Labour Market Development Agreement or groups advocating federal leadership. In keeping with their different approaches, intergovernmental actors undertook a variety of actions, both on a multilateral and bilateral basis to meet their needs. None of these involved external actors to any great extent, leaving labour market policy in Canada highly executive-dominated. Despite an elaborate multilateral intergovernmental institutional structure involving four separate Ministerial forums, informal and ad hoc bilateral relations carried a

significant portion of the intergovernmental load, often to the neglect of important issues and the exclusion of key players.

One of the continuing threads in the Canadian labour market story is conflict over jurisdiction. Part of the explanation lies in the fact that there is no consistency or agreed-upon understanding of the words used to describe labour market policy. In this chapter alone, employment, adult education, manpower, training, active measures, welfare to work, rehabilitation, skills, employability, vocational training, learning, labour force adjustment and labour market development were all used to describe roughly equivalent functions. There was little clarity on what these words meant, and certainly no agreement on how jurisdiction was divided between governments. Both the UI Act in 1940 and devolution in 1995 were stated attempts by the federal government to clarify jurisdiction, but outstanding issues remained. Additional complexity came about as most labour market services in Canada were organized by client group, with the most common groupings being youth, older workers, disabled persons, Employment Insurance recipients, social assistance recipients, immigrants, and aboriginal persons. This meant that for some client groups (for example aboriginal people or EI clients) it was acceptable for the federal government to be directly involved, while for other groups (for example, social assistance recipients) it was not. There was less clarity about older workers, youth, immigrants, or persons with disabilities where jurisdiction continued to be contested.

Over time, both orders of government in Canada expanded jurisdiction in the labour market domain, based upon its individual policy imperatives and its understanding of its respective roles and authorities. The initiators of the Unemployment Insurance Program in 1940 saw the provision of federal UI benefits as inextricably linked to a national employment service, yet with the LMDA offer the federal government effectively severed this link. Despite this, not only were new or renewed intergovernmental structures not put in place to manage the interface, but the institution that already existed (the Forum of Labour Market Ministers) was allowed to decay and deteriorate. The Council of Ministers of Education could not be used as the federal government did not participate. Although labour market partners external

to government and the media were becoming increasingly aware of growing skills and labour shortages, they were unsuccessful in getting these issues onto the public agenda. There were no traumatizing events to highlight the neglect of federal-provincial relations in this policy domain.

This concludes the examination of the policy domain and the influence of external actors on intergovernmental actors in labour market policy in Canada. As Bryce Stewart noted in the opening quote, Canada's 'affliction' with a federal system has greatly increased complexity in this policy area, not only between governments but across policy domains. The next chapter of the Canadian case study examines the power relationship dynamic between governments in labour market policy, and the effect this has had on the character and workability of the intergovernmental relations system.

CHAPTER 5: EXPLAINING INTERGOVERNMENTAL RELATIONS IN CANADA

> *One of the reasons Canada leads on many fronts is because we don't have a national office running the show. What you get with a national office is a vanilla-flavoured system that runs to mediocrity. What you get when provinces compete is the best-run education system. Provinces compete like little countries: competition breeds improvement as each province wants to be better than the other and they are pushed to do things better (interview with Maria David-Evans September 29, 2006)[85].*

The primary purpose of this chapter is to assess the power relationship dynamic between governments in Canada over the period 1996-2006, and determine how this has influenced the character and workability of the intergovernmental relations system in labour market policy. Although most of the information in the chapter comes from interview data, it draws extensively on the documentary and secondary material outlined in Chapter Four. This has provided evidence of federal-provincial expansion in the policy field, continuing conflict over jurisdiction, divergent interests among the key intergovernmental players, and an inability by external stakeholders to productively engage. It has also highlighted some of the inadequacies of the intergovernmental institutional structures in place to manage federal-provincial relations, especially on a multilateral basis.

An assessment of the power relationship dynamic between governments will help to explain these outcomes. Using the analytical framework outlined in Chapter Two, the key concepts used are interdependence and hierarchy, mitigated by how the intergovernmental structures and machinery were used. This dynamic is examined primarily with regard to the Government of Canada-Government of Alberta relationship, expressed from the point of view of each party. However, relationships between the Government of Canada and provincial governments in the rest of

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[85] During the period of this research Maria David-Evans was Deputy Minister of Alberta Children's Services and Alberta Learning. As Deputy Minister, Maria had been involved with all intergovernmental forums that this research examined: Social Services, FLMM, CMEC and Immigration. Her comments relate to education, which in Canada is provincial jurisdiction.

Canada are also considered, from the perspective of officials with the Ontario and British Columbia Governments.

The concepts of 'character' and 'workability' are assessed using the criteria outlined in the analytical framework in Chapter Two on pages 60-65. Cooperative relations were deemed to occur if governments actively worked together to coordinate their actions, but central government was the dominant player. When the partners were considered more equal in terms of joint decision-making and approaches, the relationship was considered collaborative. Competitive relationships demonstrated conflict, mistrust, duplicating efforts and attempts by one side or the other to increase their power. Coercive relationships were deemed to occur when the actions or inaction of one government forced the other to do something they would not otherwise have done.

To determine if workability was high, medium, or low, evidence was sought from the interview data on the following factors, especially those that facilitated the development of trust ties between senior officials: shared goals and objectives, routinized and regular engagement, stability among the key players, geographic proximity, honesty in terms of information sharing, willingness to engage, capacity to engage and autonomy to decide, leadership in the development of processes to work through differences, choosing a narrow enough agenda where issues can be delimited, and seeking agendas that showed promise of early success. The interview data was also combed for evidence of the presence or absence of mutual respect, civility and tolerance, predictability, fairness, a positive history, an ability to minimize past grievances, recognition of mutual interdependence, and shared professional training and norms.

Workability was also impacted by individual personalities, because "trust builds person to person, not government to government" (interview with provincial official June 22, 2006). Given the actor-centered institutional approach on which this research is based, particular attention was paid to the role of individuals in intergovernmental relationship-building. Certainly the actors interviewed through

this research thought that personality was a very significant factor in intergovernmental relations. Over 25 times, intergovernmental actors specifically mentioned that, in their view, outcomes had been directly affected (both positively and negatively) by specific individuals. Only two people did not think that personalities were significant. One informant said "I have seen tables where no one likes each other and nothing gets done, no matter whether or not their governments want something to happen or not" (interview with former provincial official December 17, 2006).

Given that labour market activity in Canada during the period of this research was siloed by client group, a number of different relationships needed to be examined. The following categories were used for the analysis: labour market policy, (relating to Employment Insurance-labour mobility-labour market information issues as dealt with by the Forum of Labour Market Ministers), immigration policy (as dealt with by Immigration Ministers), and disability policy (as dealt with by Social Services Ministers). Whether the relationship was bilateral or multilateral was also an important consideration.

Power Relationship Dynamic

The first section of this chapter considers how intergovernmental officials working for governments in Canada, Alberta, Ontario, and British Columbia viewed their colleagues with respect to the degree to which they considered the relationship to be hierarchical, the degree to which they believed that governments were interdependent in the policy domain, and their satisfaction with the operation of the intergovernmental machinery in place to manage their relationship. This is followed by an analysis of the similarities and differences between the views of these officials, and what accounted for these.

Hierarchy

Federal officials saw themselves as the senior partner in the federation. Although provinces were ostensibly equal, given their different populations, wealth, and threat to national unity federal officials did not view them as equal (interviews with federal and former federal officials November 6 and 7, 2006). Saskatchewan, Manitoba, Newfoundland and Labrador, New Brunswick, Nova Scotia, and Prince Edward Island were considered the usual federal allies, mostly because of their smaller populations and more dependent financial situation. Quebec and Ontario were the traditional adversaries, while Alberta and British Columbia were considered bridging partners. Territorial governments were marginal players. Most federal attention was paid to Quebec (because of the threat to national unity) and Ontario (with vote-rich seats).

The Liberals under Jean Chrétien came to power following the constitutional crises of the Conservative years. In order to reduce the temperature in intergovernmental relations, the Prime Minister rarely engaged on a multilateral basis with his provincial colleagues; according to one provincial official, federal-provincial relations during this period became subject to the 'whim' of the Prime Minister (interview October 4, 2006). "Sometimes on Monday I feel like giving the provinces more money, and then on Tuesday not" (Chrétien, as quoted in Noël 2001, p. 19). According to the OECD (1997), Chrétien cabinets were 'departmentalized' (not institutionalized), with individual Ministers (as opposed to central agencies) in control. This shift from the Conservative years trickled down to HRSDC civil servants, who were confident of Ministerial and overall government support for their intergovernmental negotiations.

It was much easier for the federal government to be strategic and exert power and control than for ten provinces and three territories to resolve their differences and act collectively. The Government of Canada had the power to act when they perceived it

to be necessary, or not to act, as the case may be. The absence of strong intergovernmental structures (like regular FLMM meetings) put many cards in the hands of the federal government.

The most significant evidence of federal hierarchical control was in relation to financial matters. The Government of Canada controlled key revenue sources and, since the early 2000s, had run a substantial surplus. They could choose to allocate this surplus as they wished—to debt reduction, tax cuts, or new spending. They could also choose how they would spend, either directly or through provincial transfers. If the Government of Canada chose to restructure how much (and how) they contributed to provincial postsecondary education and skills-training programs, they were completely free to do so, subject to notification constraints in the existing agreements.

The key resource that the federal government had was the Employment Insurance (EI) account, which was under their exclusive control. Here they continued to collect substantially more money than was required to operate the program—with the accounting practices used during the period of this research, the EI account was routinely used to balance the government's books (interview with stakeholder November 3, 2006). Within the existing Labour Market Development Agreement and Labour Market Agreement for Persons with Disabilities there were negotiated reporting and control mechanisms, and federal monitoring of provincial actions. Although provinces had repeatedly pressed the federal government to replace the contribution arrangement under the Labour Market Agreement for Persons with Disabilities with some sort of block transfer (in recognition of provincial autonomy in this area), the Government of Canada refused, on the basis that the uneven reporting records of different provinces needed to be corrected (interview with federal official November 8, 2006). This created intergovernmental tension as provinces were uncertain whether federal funding would be renewed and whether existing provincial programming could be continued. In the view of federal officials, these two labour market agreements with provinces were merely the means used by

the Government of Canada to deliver federal programs (interview November 6, 2006).

Interdependence

Despite considering themselves the senior order of government, federal officials interviewed through this research recognized that in reality there was very little they could do in labour market policy that did not also involve provinces. They could not show national leadership on skills and learning without the explicit cooperation of provincial governments who controlled most of the policy levers that helped Canadians prepare for, find, and keep jobs. In provinces with devolved LMDAs the public employment service had effectively been placed under provincial control. On a pan-Canadian basis, the Government of Canada retained strength and delivery control only in youth and aboriginal programming.

With the Consolidated Revenue cutbacks that were put in place in the mid-1990s, federal resources for non-EI clients became slim on the ground in co-managed provinces, and almost non-existent in provinces with devolved LMDAs. In Alberta, a postsecondary stakeholder viewed the federal withdrawal to be so significant that, in his view, the Government of Canada had slowly but surely "slipped out of the game" and now only "dabbled around the edges" in labour market policy (interview October 6, 2006). The federal government could create awareness of problems, but did not have the tools to fix them. Even when federal officials acted unilaterally and created such agencies as the Foreign Credential Recognition Secretariat, Sector Councils, and the Canadian Council on Learning, for their action to be credible and meaningful they needed the active support and involvement of provinces. The Government of Canada could not force provincially mandated professional associations to recognize the credentials of out of province or out of country workers. It could not direct provincially-funded technical and vocational schools to use curricula developed by Sector Councils or train workers in particular trades or occupations. Given that most federal contacts with employers were electronic through the National Jobs Bank and

the EI system, the federal government no longer had the resources to connect individually with employers on their workplace training needs.

The federal government did retain important levers to influence choices made by provinces, workers and employers. The key mechanism used to influence provinces was conditional grants, the presence of which then greatly increased federal-provincial interdependence. The federal government could also spend directly on workers and employers through the tax system or issue grants through 'individual learning accounts'; however during the period of this research these were viewed as high-cost initiatives with limited efficacy (interview with former federal official November 3, 2006). The Government of Canada was regularly pressured by stakeholders and employers to use the EI account for workplace based training or even citizen training; however, they were very reluctant to open up the account and refused to engage.

From an immigration perspective, the federal government needed provinces to provide welcoming communities for newcomers, as well as jobs and advancement. They also needed provinces to help them deal with the backlog of over 800,000 candidates seeking to immigrate to Canada. Through the Provincial Nominee Program, provinces were able to pre-select overseas candidates that met their labour market needs, saving federal time and processing. In the view of an Alberta official, the federal government was "keen, keen, keen to work with Alberta and get some positives here" (interview September 28, 2006).

Federal officials interviewed through this research acknowledged that there was significant interdependence around a variety of fronts in labour market policy, yet were generally reluctant to work with provinces to clarify roles and responsibilities in the labour market. In their view, this was too simplistic, that putting responsibilities into water tight boxes and "sorting out the grey was a kind of fool's game" (interview with federal official November 6, 2006). They believed that since each order of government had responsibilities in the area, the focus should not be on sorting out the boxes but on figuring out how to collaborate. This contrasted with the

view of provincial officials, who believed that the key reason the National Child Benefit had been a success was because federal and provincial governments first agreed on who did what (interview September 28, 2006)[86].

Operation of Intergovernmental Machinery

There were a number of elements to consider in terms of intergovernmental structures and machinery: bilateral vs. multilateral; informal vs. formal; federal-provincial vs. interprovincial processes. How secretariats were structured and under which forum issues were managed was also relevant.

For the Government of Canada multilateral processes, if successful, could demonstrate national leadership on issues of concern to Canadians. For example, in 2005, federal-provincial Immigration Ministers (except Quebec's) agreed to a Strategic Direction on Immigration that identified a vision statement, principles, goals and objectives, and shared priorities (CICS 2005). Similarly Social Services Ministers (except Quebec's) agreed to the National Child Benefit (1998), the National Children's Agenda (2000), Early Childhood Development (2000), Early Learning and Child Care (2003), and a Labour Market Agreement for Persons with Disabilities (2003).

If it had succeeded, the work undertaken in the summer of 2004 on a federal-provincial Labour Market Framework Agreement would have provided the federal government with many positives. It would have demonstrated Government of Canada leadership on an issue of national concern and relevance. If implemented as the federal government had wished, it would have sanctioned a continuing federal role not only in labour market program funding, but also in program delivery. A pan-Canadian or national framework would have made it easier for the federal government to negotiate bilateral arrangements with each province, and ensure some level of consistency in programming across the country. It was also more efficient to

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[86] With the National Child Benefit, it was agreed that the federal role would be income support, while provinces would be responsible for services and supports such as child care and supplementary medical.

have one large conversation than 13 separate individual conversations. Through the contacts and intelligence federal officials gained through multilateral working groups, they stayed on top of developments and played a meaningful facilitating and coordinating role. There were also some issues like labour mobility and credential recognition that for efficiency reasons could only be dealt with through a multilateral forum.

On the other hand, multilateral forums could be high-risk, especially for federal Ministers and Deputy Ministers. One against 13 in the same room put federal political and administrative actors in the position of getting 'beaten up' by provinces. The federal Minister of Human Resources and Social Development Canada (HRSDC) stopped coming to FLMM meetings after 2003 to avoid confrontations with provinces over more devolved LMDAs, more money, and flexibility in terms of who could be served, preferring unilateral federal initiatives or bilateral arrangements (interview with provincial official October 4, 2006). Bilateral approaches had been successfully used with the initial Labour Market Development Agreements.

Many bilateral arrangements entered into were specific to each province's needs. As identified in Chapter Four, Canada and Alberta entered into a number of arrangements that were viewed as a success, particularly around immigration matters. Most of these were managed by federal officials who lived and worked in Alberta through ongoing positive interactions with their provincial colleagues. Some of these arrangements were institutionalized in the form of ongoing committees or agreements, while others were informal.

Multilateral forums required significantly more institutional structure than bilateral arrangements. On labour market and social services issues the federal government recognized provinces as equal partners and meetings were co-chaired and secretariat costs co-funded. On immigration matters, however, the federal government saw itself in the dominant role, and federal officials were loath to make changes, as the existing institutional structure allowed them to control the agenda and process to their advantage.

This kind of federally dominated structure was not common; the FLMM structure of a rotating provincial co-chair and a provincially-managed secretariat was the norm. Every Ottawa-based federal official interviewed through this research considered the Forum of Labour Market Ministers to be the *most* dysfunctional federal-provincial forum that they had ever been involved with; suggestions ranged from "blow it up and start over" to "put in a permanent neutral secretariat" (interviews November 6, 7 and 8, 2006). This view predated devolution; one federal official felt that, in her experience, during the mid to late 1990s:

> *There was a lot of testosterone there, it was all men: and these were people with very stubborn positions who hadn't been able to come to agreement for a very long time. They were very focused on their differences rather than what brought them together (interview November 8, 2006).*

Things seemed to get better during the early 2000s, but federal officials suggested that the intergovernmental climate deteriorated again when, in 2005, Ontario assumed the FLMM Secretariat role, and were unable to separate Ontario interests in securing a devolved LMDA from their role as neutral chair (interview November 6, 2006).

How and whether issues got assigned to multilateral forums was also significant. Some officials felt that the traditional federal-provincial cooperation on disability issues under Social Services Ministers would have been destroyed if the work were to move to the FLMM, a clearer policy match (interview with federal official November 8, 2006). Despite the importance of foreign credential recognition to the Government of Canada, there was no defined forum dealing with the issue. When a senior federal official was asked which table it should be assigned to, he suggested that every formal table should be avoided as none had clear jurisdiction and some (especially the FLMM) had longstanding federal-provincial animosity and dysfunction. In his view, the best approach was an informal one; instead of assigning the work to an existing forum, the federal government should use a "virtual network" of consultation (interview November 7, 2006). In the view of this federal official, all formal tables should have some element of informality, providing a 'safe space' for frank and open conversations.

Privy Council officials kept track of the wide range of structures in place to manage intergovernmental relations in different policy areas, and could not conclude that one worked better than another. While Social Services was considered a productive forum and the FLMM was not, it was not how they were organized or the people who were involved that made the difference. In the view of this official, it was some combination of federal dollars and a consensus on what needed to be done that made federal-provincial forums productive (interview November 6, 2006). Another federal official suggested it was a combination of the longevity of the forum, the experiences of the people at the table, the clarity of jurisdiction, and finding some safe space for frank conversations (interview November 7, 2006).

Federal officials acknowledged the need for provinces and territories to meet separately from them and build common positions; however, this caused consternation when they were deliberately excluded, as was the case with postsecondary education. Although they found the informal linkages that they had to use with respect to the Council of Ministers of Education Canada frustrating, they did not expect it to change. They acknowledged that the successful coalition building that provinces had undertaken through the Council of the Federation made it much more difficult for the federal government to ignore provincial views. However, some questioned the usefulness of a 'Council of the Federation' that deliberately excluded the senior partner (interview November 6, 2006).

View from Alberta

Hierarchy

Alberta officials considered the province to be constitutionally equal to the Government of Canada, and officials carefully used the term 'order' rather than 'level' of government when referring to Canadian governments. In their view, when referring to social policy, the national government in Canada was the federal government *and* the provinces (interview October 4, 2006). With respect to labour market programming and devolution through the Labour Market Development

Agreements, Alberta officials did not believe that they were delivering federal programming as a delegated agent. In their view, they were a government exercising their jurisdiction and delivering the labour market programming that suited Albertans. They then charged the Government of Canada for those expenditures that fit within the parameters of the agreement.

Not only was the Government of Alberta meeting federal LMDA reporting requirements, in the view of officials, they had gone beyond them by putting a provincial skills outcome and indicators initiative in place[87]. When the LMDA agreement was negotiated, Alberta refused to set up a joint management committee, fearing that this would result in a continuing federal role in overseeing provincial programming (interview with provincial official October 2, 2006). Although Alberta agreed to a joint federal-provincial LMDA evaluation committee, it refused to sign off the evaluation during 2005 when provincial officials could not account for the results. Insisting that the data be rerun, this delayed the evaluation release. Alberta expected its competence and expertise to be respected, and reacted negatively when federal officials belittled or ignored them (interview June 22, 2006).

Alberta expected intergovernmental relations to be conducted in a way that reflected the equality of the federal government and provinces. It expected meetings to be co-chaired and secretariats co-funded. It sought processes through which provinces could air their views and reach consensus before sitting down with the federal government. AHRE officials found the absence of these processes with respect to immigration issues frustrating. Alberta was reluctant to sign new agreements with the federal government (either through a renewal of the Labour Market Agreement for Persons with Disabilities or with respect to immigration matters) unless these changed from the past practice of contribution agreements to a new instrument that recognized provincial autonomy (interview with provincial official October 2, 2006). Whether this would extend to refusing federal money was unclear.

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[87] Presentation by Alberta ADM at Skills through Partnership Symposium Toronto November 24, 2006.

Interdependence

As far as Alberta officials were concerned, implementation of the LMDA significantly reduced interdependence in labour market matters between the federal and provincial governments as the LMDA allowed Alberta to assume the prime delivery role. After LMDA implementation, there were fewer reasons for federal and provincial officials to talk, and most conversations to ensure coordination (particularly with respect to youth, disability, and aboriginal programming) were handled at regional and local levels. Post-LMDA, the federal presence in labour market policy within the province had significantly diminished and the Government of Canada was only involved "at the margins" (interview with provincial official October 2, 2006). As far as Alberta officials were concerned, this resulted in significantly reduced irritants.

Alberta had been involved to a considerable extent at the officials' level in the development of the draft multilateral Labour Market Framework Agreement in 2004. Alberta did not object in principle to the idea of pan-Canadian frameworks[88] in areas of provincial or shared jurisdiction. If this framework had been finalized and the federal funding parameters had been acceptable, Alberta would have participated as it would have provided the province flexibility in the use of its existing LMDA allocation, and additional federal resources for priority investments within the province (interview with provincial official October 4, 2006).

There were many other areas where Government of Alberta officials recognized their interdependence with the Government of Canada around labour market matters. With skills and labour shortages, the province needed Citizenship and Immigration Canada to speed up processing of temporary foreign workers so that industry could find workers for available jobs. Changes needed to be made to CIC rules so that international students could be retained within the province. Indian and Northern Affairs Canada needed to implement activation measures on reserve so that

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[88] Alberta played a leadership role in the development of similar frameworks in the children's, disability, and health care areas.

aboriginal people in the province became more engaged in the labour market. With worker shortages Alberta needed to ensure that barriers to mobility were reduced to the greatest degree possible; here, they acknowledged that this required federal leadership[89]. Alberta was also interested in federal research, expertise, and facilitation capacity for best-practices information sharing to help the province learn about experiences in other provinces and other countries. Alberta was willing to allocate provincial resources to federal-provincial and interprovincial partnerships, in recognition of the value of joint work (interviews with provincial officials October 2 and 4, 2006).

Operation of Intergovernmental Machinery

Alberta supported both multilateral and bilateral intergovernmental processes, and used each as deemed appropriate to serve its interests. While one Alberta official admitted that the FLMM "had not lived up to its promise when the feds won't come to the party" (interview October 2, 2006), and that it had not been as productive as other forums like Social Services, there was no suggestion from Alberta officials to change or eliminate it. Alberta did not bring to the FLMM table the grievances of provinces without devolved LMDAs who wanted them. On the other hand, Alberta officials felt that developments with the Labour Market Partnership Agreements in 2006 had destabilized the FLMM (interview October 4, 2006). They agreed with federal officials that the Government of Ontario had had difficulty in its FLMM Secretariat role, diverted from the collective interest first by its attempts to secure a LMDA, and later by its efforts to implement it. In response, Alberta officials informally took a stronger leadership role, in concert with officials from British Columbia, Nova Scotia, and Quebec (interview with provincial official September 20, 2006). Since AHRE officials participated in many overlapping forums, this provided Alberta with expertise and a breadth of knowledge that was sometimes absent in other provinces.

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[89] Unlike Ontario, Alberta had not invested in the infrastructure to upgrade foreign trained workers to Canadian standards. In this regard, Alberta was viewed by other provinces in a negative light, as poachers of workers from their jurisdictions, which led to shortages in those provinces.

For example, it was not until AHRE took over the Immigration Ministers' forum and immigration issues became a labour market concern that Alberta officials became dissatisfied with the existing multilateral arrangements. AHRE officials were accustomed to federal-provincial forums that were equal and collaborative, with routine processes for provinces to air their views and discuss approaches before they met with the federal government. In the view of an Alberta official:

> *Immigration is a good example of when you don't have an institutional structure. You get into more ad hoc issues, more [federal] unilateral decision making…there was no attempt on the part of the provinces to try and find a common position so federal-provincial conversations tended to be more about our differences so there was lots of squabbling at the table between provinces. There was not even a marginally united front so instead of federal-provincial discussions there were 13 discussions going on. It's a forum that allows the feds to do whatever they want, as they say we can't get our act together (interview October 4, 2006).*

Given this frustration, Alberta officials found the informal and indirect tactic of supporting other provinces (especially British Columbia) to advocate for institutional change more fruitful than acting directly[90]. They also placed considerable emphasis on bilateral arrangements with the Government of Canada on immigration matters, as this provided them with more control. There were very positive longstanding relationships with federal officials working within the province. At the national level, Alberta convinced Ottawa officials that bilateral immigration 'pilot' projects to suit Alberta needs were warranted and could pave the way for changes on a national level (interview with provincial official October 2, 2006).

Alberta officials saw the Council of the Federation as a way to facilitate interprovincial consensus. On the other hand, the institutional arrangements to deal with transversal issues such as skills and learning as identified by Premiers became challenging as the issue cut across two forums (CMEC and FLMM), one of which was interprovincial while the other was federal-provincial. Each forum secretariat tried to coordinate the work of their 13 respective provincial-territorial Ministries, some of whom were the same people. In Alberta, they were not the same people,

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[90] Alberta's financial strength and poaching of skilled workers from other provinces had created tension, especially with the Maritimes and Saskatchewan.

creating greatly increased complexity. Since in many jurisdictions the CMEC
Minister was also the FLMM Minister, labour market issues became just 'add-ons' to
the more robust CMEC agenda, making it inefficient for jurisdictions whose Minister
or Deputy Minister was not on CMEC to participate in discussions[91]. Since the
federal government was not part of CMEC, provinces sometimes forgot to involve
them in decision-making (interview with federal official November 6, 2006). The
difficulty in separating labour market from postsecondary issues and their handling
primarily within a CMEC context was another reason why there had been no federal-
provincial FLMM Ministers' meetings since 2003.

Alberta Learning preferred the existing informal, ad hoc arrangements for
engagement with the federal government around postsecondary issues, and did not
support any institutional changes that would have allowed direct federal participation
in CMEC. On the other hand, they admitted that there had been occasions when
federal Ministers who had been invited (e.g., with respect to copy-write and
aboriginal issues) refused to attend, characterizing Ottawa engagement with CMEC
as like "pinning Jell-O to a wall" (interview October 2, 2006). A further complicating
factor for Alberta Learning officials was the size and permanence of the CMEC
Secretariat, which external stakeholders often considered the voice of provincial
education. In Alberta Learning's view, the secretariat should not be assuming this
role; this was the responsibility of the CMEC Ministerial chair or the applicable
provincial Minister.

The Government of Alberta's official position on the Canadian Council on Learning
undermined the overall legitimacy of this federal agency:

> *There is a concern that advocacy for a national agenda and involvement in
> pan-Canadian issues may lead to an imposition of federal priorities in areas
> of provincial jurisdiction (interview with provincial official June 12, 2007).*

This did not necessarily mean, however, that provincial officials refused to
participate in activities hosted by the Canadian Council on Learning. In the view of a

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[91] For example, no Alberta nor British Columbia officials participated in a Deputy Ministers' meeting
in October 2006 because traveling all the way to St. John's, Newfoundland for a two hour meeting
was not worthwhile.

former provincial official, provinces were so protective of jurisdiction in education that it had immobilized the Council of Ministers of Education Canada, their own mechanism for interprovincial cooperation on education matters. When external reviewers commissioned by CMEC recommended more formal mechanisms for dialogue with the federal government (CMEC 2003), no action was taken because Alberta officials and Ministers did not want to change the status quo (interview with former provincial official May 16, 2007). In the view of this official, Alberta's opposition to the Canadian Council on Learning was even stronger than Quebec's, as Quebec was neutral whereas Alberta was obstructive. In her view, Alberta's strength on holding the line on protecting provincial jurisdiction in education and postsecondary education from federal intrusion fluctuated according to the provincial budget surplus. Personality also played a role, with officials from International and Intergovernmental Affairs the most determined to exclude the Government of Canada. This supports Pollard's earlier views that intergovernmental specialists concerned primarily with protecting jurisdiction make negotiations more difficult and conflict more likely (1986, p. 94).

View from the Rest of Canada

Hierarchy

The federal cuts to provincial transfers in the mid-1990s were undertaken unilaterally and had a very negative impact upon provincial programming across Canada. From a provincial perspective this eroded the Government of Canada's credibility, legitimacy, and hierarchical control over provinces in most aspects of social policy.

The degree to which a hierarchical relationship existed between the Government of Canada and different provinces depended upon each individual province and the cards they held. Although Quebec and Ontario considered themselves as equals to the federal government, a provincial official thought that, if Labour Market Partnership Agreements had been implemented all around, the federal government would never have insisted on direct delivery of federal programs in Quebec like they

did in Ontario, Manitoba, and Saskatchewan (interview November 2, 2006). The 'have-not' provinces were the most willing to admit the presence of a hierarchical relationship with the federal government. In the view of a provincial official interviewed through this research the smaller provinces were more than willing to give up jurisdiction for money, and cynically suggested that what they argued most about was "how to hold the begging cup" (interview November 2, 2006). Other than in Ontario and Quebec, there had been no high-profile federal-provincial disputes in the labour market policy domain. Although British Columbia had desired a devolved LMDA since it signed its co-managed agreement, in 1997, officials had relied on multilateral discussions and a hope that an Ontario breakthrough would kick-start the stalled LMDA negotiations in their province (interview with provincial official September 20, 2006).

Interdependence

Interdependence on labour market matters varied considerably depending upon whether the province had devolved LMDA and immigration agreements. For provinces without a devolved LMDA, the main source of interdependence with the Government of Canada was that both governments operated parallel labour market programs, with overlap and duplication and an inability for the provincial government to create a coherent labour market system. For example, British Columbia, with a co-managed LMDA agreement, had had only a moderate amount of success in influencing federally run programs (interview with provincial official September 20, 2006). In the view of a British Columbia stakeholder, federal labour market programs designed in Ottawa did not work in their province. However, they perceived that there was very little they could do to alter federal directions (interview spring 2003). In the view of British Columbia officials, the lack of communication between federal and provincial officials within the province had been hugely exacerbated since the establishment of Service Canada, as provincial officials no longer saw the value in trying to influence their federal colleagues working in British Columbia when HRSDC Ottawa made all the decisions (interview with provincial official September 20, 2006). Officials in provinces with co-managed agreements

were hopeful that with Canada and Ontario agreement on a devolved Labour Market Development Agreement that multilateral federal-provincial relations through the FLMM would improve significantly, and this would provide them with the ability to also negotiate a devolved arrangement (interview with provincial official September 20, 2006).

Operation of Intergovernmental Machinery

Like Alberta, other provinces used both multilateral and bilateral arrangements with the federal government to meet its needs. Quebec was generally reluctant to enter into any multilateral arrangements, preferring in most cases to negotiate exclusively bilateral agreements with the Government of Canada. Whereas other provinces were willing to negotiate national strategic frameworks with the federal government, Quebec generally required the addition of a paragraph or a footnote identifying that Quebec would not sign on to the arrangement and, if they participated at all, it would be on a bilateral basis (Noël 2000). Quebec participated (at least at a preliminary level) in the development of the multilateral Labour Market Framework Agreement, wanting to ensure its fair share of any funding allocated though a bilateral deal. On other issues it was a full participant. For example, during some of the period of this research, Quebec was co-chair of the Labour Mobility Coordinating Group and participated actively in both the Labour Market Information and Benefits and Services for Persons with Disabilities Working Groups (interview with provincial official November 8, 2006).

In the words of a provincial official, the multilateral "group grope" (interview September 20, 2006) through the FLMM was clumsy, difficult, slow, and often sub-optimal because prolonged debates ensued between 14 jurisdictions. Resolving issues bilaterally was often easier, quicker, and better suited to individual needs given provincial differences. However, the problem with bilateral deals was a sense of unfairness (as was illustrated with the Labour Market Partnership Agreements); in addition some issues could not be dealt with on a bilateral basis. Multilateral processes were made even more complex by provincial organizational changes, often

necessitating the participation of more than one Ministry on a multilateral forum[92]. This made authority to commit on behalf of their government more challenging.

Ontario and British Columbia officials agreed with Alberta that joint processes through the existing FLMM-CMEC structures were too complex, including consideration of where issues were assigned[93] (interviews September 20, 2006 and November 2, 2006). Although officials from these provinces acknowledged that the strength of the CMEC Secretariat was its expertise and ability to sustain work over the long term, having a similar permanent FLMM Secretariat would not have been supported for fear that it would take over leadership from provinces, as CMEC was perceived to have done (interview with provincial officials September 20, 2006, and November 2, 2006).

In the absence of robust multilateral institutional structures to manage interaction in labour market policy, bilateral coordination (like in Alberta) was the norm, although this varied from one province to another and from one location to another. For example, Ontario was the only province where social assistance and welfare to work programs were under municipal jurisdiction. Given federal-provincial squabbling during the period of this research, some Ontario municipalities felt compelled to provide leadership. With over 5000 human service agencies, the City of Toronto assumed a significant coordinating responsibility (Critoph 2002).

Synthesis

From this summary it can be seen that there was general agreement between officials from the Governments of Canada, Alberta, Ontario, and British Columbia on some elements of how hierarchy, interdependence and the operation of the intergovernmental machinery impacted their relationship. On the other hand, there were also significant differences of opinion.

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[92] For example, Alberta and British Columbia each had three Ministers who sat on the Social Services Ministers' Forum.
[93] For example, international vocational education and training issues were managed by CMEC, not the FLMM.

There seemed to be no disagreement that Canadian governments were interdependent in labour market policy, and that both orders of government had the legitimacy to act. Interdependence was particularly evident with respect to labour market information, labour mobility, as well as services provided to EI clients, employed workers, and those who were experiencing problems in accessing the labour market (immigrants, the disabled, aboriginal people, older workers etc.). There seemed to be nothing from a constitutional perspective that would have precluded agreement by all parties (except perhaps Quebec) on some sort of a pan-Canadian federal-provincial labour market framework (as had been identified by stakeholders and as had been attempted through the Labour Market Partnership Agreement), as long as this did not touch on postsecondary education and training issues. These were viewed by provinces as areas of exclusive provincial jurisdiction, and had been jealously protected from federal involvement for the past 50 years.

There was also no disagreement on the need for both multilateral and bilateral mechanisms of accommodation, and that jurisdictions should have the flexibility to use whatever mechanisms best suited. That provinces needed space for interprovincial accommodation and consensus building before negotiations were undertaken with the federal government also seemed to be acknowledged and accepted.

It was in terms of hierarchy and control over the sector where differences between governments in Canada were most evident. This was rooted in fundamental differences of opinion about the nature of Canadian federalism, and the degree to which each government could be considered sovereign within its area of jurisdiction.

Of the three provinces examined through this research, Alberta was the most insistent on provincial autonomy. This came from the province's sense of continuing grievance against Canadian governments at the centre, and was exhibited in disagreements over reporting, evaluation and audit requirements for labour market agreements. Alberta successfully resisted federal requests for a joint management committee to manage its devolved LMDA, and insisted the loudest of all

jurisdictions that its government reported to Albertans and not to the Government of Canada (interview with provincial official October 2, 2006). To protect and promote its autonomy it was willing and able to provide leadership on pan-Canadian issues, and invested considerable civil service time, energy, and expertise in supporting the work of multilateral intergovernmental forums. Alberta officials often found that supporting other provinces (especially its neighbour British Columbia) was the most effective approach, given the sensitivities of other provinces with more limited resources. Bilateral arrangements with both the federal government and other provinces were also pursued if these were perceived to be better suited to provincial needs.

The federal government used its own particular techniques to assert power and control over the sector. On federal transfers to provinces it insisted on reporting mechanisms that were common across the country, ensuring some level of consistency and transparency so that citizens could see how federal funding was being spent. Unlike the multilateral action that Alberta preferred, federal officials preferred bilateral or unilateral action, sometimes sidestepping established multilateral forums if these were perceived as not meeting their needs. Federal preference for a 'virtual forum' to manage foreign credential recognition was a good example of this approach, demonstrating how, as Noël (2002) suggests, not investing in formal institutional structures was a prerogative of power. Instead of using or modifying existing institutional structures like the FLMM or CMEC, the federal government chose to establish its own stand-alone organizations like the Canadian Council on Learning, providing (like the Canadian Labour Force Development Board in the 1980s) an institutional mechanism under federal control for stakeholders to engage in conversations with governments on labour market policy. In addition, by keeping Labour Market Development Agreements highly asymmetrical and refusing to enter into further devolution arrangements, federal officials ensured that provincial interests were not aligned, leaving the Government of Canada in a more powerful position.

The fact that provincial interests were not aligned was primarily because, during most of the period of this research, six jurisdictions (including the powerful provinces Ontario and British Columbia) did not have devolved LMDA agreements. As a result of the incomplete devolution arrangements, these provinces had reduced strength and capacity in the labour market policy domain because the federal government still directly delivered labour market services to its citizens. The key priority for these jurisdictions during the later period of this research was to wrest this control from the federal government by securing devolved LMDA agreements, allowing them to acquire the tools they felt they needed in order to implement a coherent labour market system under provincial (not federal) control[94].

Character and Workability of the Government of Canada-Government of Alberta Relationship

All of these factors influenced how the intergovernmental machinery in the labour market policy domain operated. In the final section of this chapter, the character and workability of intergovernmental relations in the labour market, immigration and disability areas are assessed in turn. This was done by seeking evidence from the interview data on the degree to which trust ties between government officials were evident. The analysis starts with an assessment of the relationship between the Government of Canada and the prime case study province, Alberta.

Labour Market Issues

For trust ties to develop people must be willing to engage, have the authority to engage, and engage regularly, either face-to-face, through e-mail correspondence/letters, or in telephone conversations. People need to know whom to

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[94] For example, at a Skills through Partnerships Symposium held in Toronto in 2006, Alberta and Quebec officials provided Ontario stakeholders and government officials with reflections on their positive experiences with devolved LMDAs. Quebec in particular highlighted the importance of their unique partnership arrangements, including a provincial Commission, 17 regional councils, sector based committees, and advisory job retention committees for disadvantaged groups. These were all under provincial control.

engage with and the process under which this engagement takes place. When they do engage, values like honesty, integrity, and mutual respect then come into play.

Trust ties are also facilitated by a sense of shared objectives and goals, and during the early years covered by this research the Government of Canada and the Government of Alberta clearly shared similar goals. They both wanted to reach an LMDA agreement and implement it in the most expeditious fashion possible. They were also both committed to their partnership working, in order to achieve the best possible labour market outcomes for Albertans. As the first province off the mark, Alberta was keen to demonstrate its capacity to assume the new labour market responsibilities and integrate federal programming and staff into the provincial system. Before devolution, the bilateral relationship between federal and provincial officials working within the province had been collaborative. A senior federal official working in Edmonton provided this perspective:

> *I believe that the Alberta Government runs the devolution arrangements better than anyone else in Canada. Going back to 1996, when Alberta first signed on as the first province with an LMDA, I see no animosity from my staff around this…there may have been in the early years, I don't know…that's probably because we learned to partner with them as opposed to compete with them (interview October 2, 2006).*

On a bilateral basis the relationship on labour market issues between the Government of Canada and the Government of Alberta was assessed as *collaborative and highly workable*. From the interview information there was no indication of hierarchy on a bilateral basis. Instead, there was evidence that Alberta and federal officials geographically located within the province shared similar goals involving both the negotiation and implementation of the LMDA agreement, and there was routinized engagement post-LMDA through the Canada-Alberta Liaison Committee (as well as on an informal basis), all built on the positive history that had been put in place through the Canada-Alberta Service Centres. Civil servants shared professional values and norms as they had worked in the policy field for many years, there was stability among the key players, and evidence of mutual respect, civility and tolerance. With the implementation of the LMDA interdependence had been substantially reduced, allowing each order of government to focus on their core

responsibilities. The only area where there was evidence that workability was somewhat diminished was in youth programming, where a more competitive relationship prevailed. Regional HRSDC officials had no capacity to enter into a more formal arrangement with Alberta that might have reduced some of this competitiveness, as the parameters for these type of agreements were determined in Ottawa.

The story was quite different on a multilateral basis. Post-LMDA goals were not shared either between orders of government or between provinces, given the checkerboard arrangements across the country. But even more significant to the development of trust ties was organizational 'churn' in both federal and provincial governments, making it very difficult for people to form enduring relationships. Changes at the federal level in Ottawa were considerable, particularly after 2003, when Human Resources Development Canada was split into Social Development Canada and Human Resources and Skills Development Canada and then re-combined two years later to become Human Resources and Social Development Canada. Many new staff came on board in Ottawa and provincial officials often did not know who to engage with (interview with provincial official September 26, 2006). The political transition from Prime Minister Chrétien to Prime Minister Martin (with revolving door Ministers) and later the presence of a minority Liberal government made securing political direction more difficult. In addition, the spin off of Service Canada[95] from HRDC disrupted many longstanding federal-provincial relationships within each province, centralized policy making in Ottawa, and made relationships between federal officials at the regional and central levels more complex (interview with federal official September 26, 2008). Provinces were not immune to similar dynamics, with regular elections and changes in political direction, organizational structures, and political actors[96]: A provincial official described the challenges involved when multilateral intergovernmental work takes place over a long period of time with constantly changing actors:

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[95] While Service Canada delivered HRSDC programs, they did not deliver CIC programs.
[96] For example, over the period of this research Alberta went from having one Ministry responsible for Social Services Ministers to three.

> *Every time you meet, a quarter of the crowd is new and two provinces are*
> *represented by people who are sitting in for them who either pursue their own*
> *personal interests or just say that they are there to take notes as they are not*
> *senior enough to participate in the discussion (interview November 2, 2006).*

With respect to the Forum of Labour Market Ministers, since there had been no Ministers' meetings since 2003, most business was conducted through teleconferences between Senior Officials or face-to-face Deputy Ministers' meetings tacked onto CMEC meetings. The lack of regular face-to-face meetings at all levels weakened already tenuous trust ties caused by a historical lack of success for the forum, exacerbated by events such as the failure to negotiate devolved LMDAs in all jurisdictions that wanted them after 1998, the failure to negotiate a federal-provincial Labour Market Framework Agreement in 2004, and unilateral federal action on these agreements in three jurisdictions that "broke ranks and knifed the others in the back" (interview with provincial official June 26, 2006). With a weak institutional structure involving a rotating secretariat led after 2005 by distracted Ontario Government officials and additional organization churn at both the federal and provincial levels, building and sustaining trust ties among government officials on a multilateral basis became extremely challenging.

This did not mean that relationships between officials involved with the Labour Market Information Working Group or the Labour Mobility Working Group were not positive. These groups continued to operate underneath the radar and produced some positive work. However, in the absence of political will, action on labour mobility was particularly difficult, and it took the involvement of Premiers and the Internal Trade Ministers to kick start this work again (interview with provincial official October 4, 2006).

The widening of the intergovernmental agenda to straddle two intergovernmental forums also impacted workability. When 'skills' more broadly defined emerged as a key issue at both the federal and provincial levels, it included both postsecondary and labour market issues, necessitating the involvement of the Council of Ministers of Education Canada as well as the Forum of Labour Market Ministers. In Alberta, responsibility for these forums was divided between the Learning Ministry (CMEC)

and Human Resources and Employment (FLMM), whereas in many other provinces the same Minister and officials were on both forums.

Split responsibility made managing the work in Alberta particularly difficult, not just organizationally but also strategically. Alberta Learning was loath to work with the Government of Canada, whereas AHRE accepted the need for federal-provincial cooperation (interview with provincial official October 4, 2006). It is difficult to build trust ties when interdependence between governments is not acknowledged, and some parties within one government do not wish to engage with the other government at all.

On the basis of this evidence, it was concluded that multilateral relationships between the Government of Canada and the Government of Alberta with respect to labour market issues dealt with through the Forum of Labour Market Ministers were *competitive, with a low degree of workability.* Almost all of the features of a competitive relationship were evident, especially when the federal government refused to implement further LMDAs after the initial round, and acted on their own through the Innovation Strategy. These included lack of communication, unilateral federal as well as provincial action, as well as governments trying to 'one-up' each other, gain credit and avoid blame. The only area where this behaviour did not occur was with respect to labour market information and, to a lesser extent, with respect to labour mobility.

In terms of workability, there was evidence of a lack of shared goals, unwillingness by both partners to engage at the Ministerial level, an inability to minimize past grievances, and 'churn' among the key players. An expanded agenda which brought a new actor (CMEC) into the relationship was also problematic. Not only were the interdepartmental processes within Alberta challenging, the interprovincial processes to manage the agenda became more complex when key Alberta players in AHRE were excluded from deliberations as they did not participate in CMEC. Without an acceptable mechanism for both CMEC and the FLMM to connect with the

Government of Canada, federal officials also felt excluded from discussions that directly impacted them (interview with federal official November 6, 2006).

Disability Issues

From the interviews undertaken for this research, the bilateral relationship between the Governments of Canada and Alberta on disability issues managed within the province of Alberta was, overall, considered *collaborative and highly workable*. Officials from both orders of government considered themselves as equal in the relationship, and sought mechanisms to coordinate disability programming within the province. Although the implementation of Service Canada had some negative impact, staff continuity within both governments and the presence of ongoing institutional structures such as the Labour Market Agreement for Persons with Disabilities and the Canada-Alberta Liaison Committee supported positive ongoing federal-provincial interaction for most of the period of this research.

There was also a generally positive relationship on a multilateral basis on disability issues. Here, Social Services Ministers (not the FLMM) played the leadership role, and the interview evidence indicated that trust ties remained strong throughout most of the period of this research. In the view of a federal official, "the personal commitment of the Deputies makes a huge difference…there is so much goodwill despite all the problems" (interview November 8, 2006). This goodwill was attributable to shared past successes that had benefited both orders of government (e.g., the National Child Benefit and Early Childhood Education initiatives), a commitment to relationship-building, and perhaps also to the fact that social services attracted more women at senior levels (interview with provincial official September 20, 2006). Trust ties were also more intense because there were more opportunities to engage, and Deputy Ministers specifically committed themselves to the importance of federal-provincial relationships, addressing problems that had occurred through the 2005 <u>Intergovernmental Cooperation in Social Services Matters Protocol</u> (interview with provincial official September 29, 2006). This experience in the

Social Services sector demonstrates the role that individuals and personality played in facilitating intergovernmental relationships.

Julie Simmons reached a similar conclusion in her examination of the workings of the Social Services Ministers' forum with respect to the development of the National Child Benefit. When compared to the Canada Wide Accord on Environmental Harmonization (through the Council of Ministers of the Environment) and the National Forest Strategy (through the Canadian Council of Forest Ministers), in her view:

> *The agency of individuals was a factor contributing to compromise and consensus in the case of the NCB, where the approach of Minister Pettigrew, and the personalities and ideas of key federal and provincial officials helped establish a sense of trust and camaraderie at the Ministers' table and within the working group (Simmons 2004, p. 305).*

Although this research did not examine the National Child Benefit, since the Benefits and Services for Persons with Disabilities Working Group was under Social Services Ministers, the fact that the relationship context was generally positive was significant. With respect to the working group itself, under the leadership of Alberta, British Columbia and key federal officials, trust ties in the earlier period of this research were strong and the group produced a number of deliverables (interview with provincial official October 29, 2006). However, in the later period of this research organizational churn at both the federal and provincial levels impacted relationships as people and responsibilities changed. An Alberta official commented on the differences between the Social Services and FLMM forums and the significance of personalities to intergovernmental work:

> *Social Services was always the nice collaborative table where things got done, whereas the FLMM was dysfunctional and nothing got done…The [new federal Deputy Minister] came to Social Services with a strong confrontational FLMM approach and it was amazing how in a few short meetings the table got poisoned …the disability file [has become] all games (interview October 2, 2006).*

Despite these recent changes, the author concluded that overall the multilateral relationship between the governments of Canada and Alberta with respect to disability labour market issues was *collaborative and moderately workable* during

the period of this research. There was a willingness to engage, routinized and regular processes for engagement, relative stability for most of the period among the key players, a sense of shared policy goals and directions through the agreements that had been entered into, and few past grievances. In this file, personality, as well as a lack of shared goals in an important area (that is, differences of opinion as to how provinces accounted to the Government of Canada for federal funding), seemed to be key factors that negatively impacted workability.

Immigration Issues

As outlined in Chapter Four, there were a variety of formal agreements and committees that supported federal-provincial interaction on a bilateral basis around immigration issues in Alberta, involving settlement services, temporary foreign workers, a provincial nominee program and international students. Although initially these arrangements were worked out between Alberta officials and federal officials living in the province, as immigration issues became a higher priority on the provincial agenda, federal officials living in Ottawa also became involved. There was no indication of hierarchy in the relationship, with both orders of government acknowledging their interdependence and the need to work together if immigration was to assist with Alberta labour shortages. On a bilateral basis, there was evidence of a *collaborative and highly workable* relationship, even with the change over in provincial staff when Ministerial responsibility shifted from Alberta Learning to Alberta Human Resources and Employment in 2003.

Consistent with what has been found in employment and disability issues, once relationships became multilateral the character and workability changed. The federal-provincial relationship in immigration matters was quite different from skills or social services as in this area the Government of Canada played a more dominant role, chairing Ministers' meetings, deciding agendas, and controlling the secretariat. Given federal control of the sector, on a multilateral basis, this was a *cooperative*, as opposed to a collaborative, relationship.

In terms of workability, the presence or absence of trust ties within the multilateral Immigration Ministers' Forum was more difficult to judge. It was only in the past few years of this research that provinces started to seriously engage on a multilateral basis and Ministers started to meet, so there was neither a positive nor a negative history. Engagement became more regular as skills shortages enhanced provincial interest in this policy area. Generally speaking, there were shared goals and objectives, given Ministers' 2005 agreement on strategic directions, but not necessarily agreement on how to get there (interview with provincial official October 4, 2006). The Canada-Ontario agreement which had provided more money than what was available to Alberta caused concern. Quebec did not participate on a multilateral basis. There was no shared view on ongoing institutional structures, with the Government of Canada's view of a "virtual forum" for dealing with foreign credential recognition at odds with Alberta's more formal co-chaired preferences. Although trust ties appeared to be strong on a multilateral basis, the interviews undertaken for this research provided evidence that, unless a more equal federal-provincial institutional structure was put in place, provinces like Alberta would disengage on a multilateral basis and focus, like Quebec, on exclusively bilateral arrangements (interview with provincial official October 4, 2006). For these reasons multilateral workability in immigration matters was assessed as *moderately workable*.

Synthesis

Figure 5 summarizes the Government of Canada-Government of Alberta relationships that have been outlined above.

Figure 5: Character and Workability of Canada-Alberta Relationships

Relationship	Character of IGR	Workability of IGR
Labour market issues bilateral	Collaborative	High
Labour market issues multilateral	Competitive	Low
Disability issues bilateral	Collaborative	High
Disability issues multilateral	Collaborative	Moderate
Immigration issues bilateral	Collaborative	High
Immigration issues multilateral	Cooperative	Moderate

All bilateral relationships between the Government of Canada and the Government of Alberta were considered collaborative and highly workable, based on evidence of a lack of hierarchy and strong trust ties. This included interaction between Alberta officials and their federal colleagues who worked within the province, as well as Alberta interaction with federal officials living in Ottawa. The interviews elicited comments providing evidence of mutual respect, recognition of interdependence, civility, and tolerance. This could be attributed to shared goals, a historically positive relationship, the capacity of Alberta and regional federal officials actors to engage, and to positive experiences with various agreements, including the devolved LMDA, the Labour Market Agreement for Persons with Disabilities, and Canada-Alberta Statement of Understanding on immigration matters. These were all supplemented with informal engagement at all levels. The only exception to this appeared to be with respect to youth programming, where competition between governments continued.

It was noteworthy that none of the relationships in the policy areas reviewed were characterized as coercive. Here the actions or inaction of one government force another to do something that they would not otherwise have done. During the period 1996-2006, the federal government certainly took some unilateral actions that the province did not like, but these did not force the Government of Alberta to change what it was already doing. What provincial governments complained most about during this period was federal *inaction*. While provinces may have taken action in the absence of federal funding, these were provincial responsibilities to begin with[97].

No multilateral relationships were assessed as highly workable, with both immigration and disability issues considered moderate and labour market considered low. What was particularly noteworthy was the highly competitive government-to-government relationship in the labour market area that prevailed during the period of this research, continuing the pre-devolution legacy in this policy area.

[97] An example of coercive action outside the scope of this study was when Canada extended maternity benefits through EI from six to 12 months. Provinces were forced to decide whether to change their employment standards legislation to coincide with the extended benefit period, and eventually all did.

Workability of Government of Canada Relationships with Other Provinces

Given that interviewing in British Columbia and Ontario was not extensive, conclusions on the workability of intergovernmental relationships in those jurisdictions were more tentative and could only be drawn in the labour market policy area (i.e. not in disability or immigration policy). For the same reasons as outlined for the Canada-Alberta relationship, on a multilateral basis the relationship was characterized as *competitive* and *workability* was assessed as low. However, on a bilateral basis there were differences, rooted in the specifics of the LMDA negotiations that had occurred in each province.

British Columbia had voluntarily agreed to a co-managed LMDA agreement in 1997, while under New Democratic Party rule. When the Liberals assumed power in 2001, although there may have been a desire at the officials' level to change the terms of their agreement, Premier Campbell refused to engage in federal-provincial fights. In contrast, no LMDA agreement had been concluded in Ontario, and governments had publicly disagreed at the highest level over the agreement terms. A former Ontario official suggested that the longstanding disagreement between Ontario and Ottawa over 'fair-share' was exacerbated by a lack of personal chemistry between Prime Minister Jean Chrétien and Premier Mike Harris (interview November 1, 2006). Certainly relationships in that province did not begin to heal until Paul Martin became Prime Minister, in 2003, and the Liberals in Ontario under Dalton McGinty took over from the Conservative Harris government.

The bilateral relationship in British Columbia was assessed as *moderately workable* whereas in Ontario bilateral *workability was assessed as low.* As a result of the Canada-Ontario agreement to a devolved LMDA and a new immigration agreement late in 2005, relationship tension began to ease during 2006. A stakeholder in Ontario thought that it would take time and effort for federal and provincial labour market officials working in Ontario to overcome the previous ten years of animosity and rebuild trust ties (interview November 10, 2006).

This research did not extend to examining federal-provincial relations beyond these three provinces. As already outlined, federal officials commented that, in their view, devolution eased the tension in the Canada-Quebec relationship, leading to improved collaboration and increased workability. Provincial officials who were interviewed through this research suggested that workability in other provinces without devolved LMDAs (Nova Scotia, Prince Edward Island, and Newfoundland and Labrador) was similar to that experienced in British Columbia, and that relationships in provinces with devolved LMDAs (Saskatchewan, Manitoba, and New Brunswick) were similar to the Alberta and Quebec experience (interview October 2, 2006). Additional research would be required in these jurisdictions to verify this assessment.

Conclusion

The actor-centered institutional approach adopted for this thesis suggests that intergovernmental administrative actors are constrained not only by the institutional structures within which they work, but also by history. These constraints are mitigated by the ability of these actors to change institutional rules and arrangements to those that might suit them better. In the course of this examination of intergovernmental relations in labour market policy in Canada, evidence has been provided of the role played by institutions (or lack thereof); however, the analysis also demonstrates the difficulty that actors have had in changing the game that has been historically set.

These constraints were more keenly felt with respect to multilateral, as opposed to bilateral relations, where there are more jurisdictions involved and individual actors can exert less control. It is extremely difficult for one jurisdiction to attempt to change an existing multilateral forum, such as the FLMM or CMEC, given path dependence and the presence of multiple veto points. The siloed nature of the work also meant that officials in one forum were not always aware of what other forums were doing and how their work overlapped. Given the organic nature of the work and how these forums had evolved over time, in general participants tried to do the best they could with the structures available to them.

While workability and the presence of trust ties on a multilateral basis through the Forum of Labour Market Ministers were generally at a low ebb over the period of this research, this contrasted with more collaborative relationships in the Social Services and Immigration sectors. However, at least in these three policy areas institutional structures existed to support intergovernmental dialogue. In postsecondary and skills matters, provinces refused to develop structures to facilitate federal-provincial dialogue, despite longstanding federal involvement in the policy domain.

As identified in Chapter One of this thesis, the author was particularly interested in discovering why the federal-provincial relationship through the Forum of Labour Market Ministers was so much more competitive than that of Social Services or Immigration Ministers. This question was posed to all Canadian officials who were interviewed for this study. Weighing the evidence, the author concluded that the prime reason for continuing intergovernmental conflict and competition in this policy area was due to *jurisdiction* and *money*. Personality played a very minor role.

In immigration policy there was an understanding and acceptance of federal and provincial roles and responsibilities. In general, provinces were not about to open missions overseas to select immigrants. Similarly, in social services the federal government realized that it could only become involved through its spending power or the tax system. According to a federal official:

> *We know that if we want to be active in any area of [social services], because of the role of provincial governments, we have to work with provinces…there is a symbiotic relationship (interview November 8, 2006).*

In contrast, in labour market policy jurisdiction remained unclear, with both orders of government confident that they could, from a constitutional perspective, act legitimately on their own. Federal legitimacy to act in this policy area was not only through the federal spending power, it also came from the 1940 constitutional amendment giving the Government of Canada a role in unemployment insurance and the public employment service. Provincial legitimacy was through constitutional responsibility for education and training. There were certainly nuances around all of

this given the use of words such as 'training', 'labour force development', and 'learning'. That there were so many words available to describe labour market policy, and that they were all subject to interpretation, made jurisdiction even more unclear.

Most of the conflict over jurisdiction had been in relation to the federal government intruding on what was perceived to be provincial jurisdiction. This was what the LMDA offer was designed to address. If Labour Market Development Agreements had been implemented as offered, it could be speculated that this provincial concern would have eased and the battle over jurisdiction turned down. Instead, the federal government almost immediately had second thoughts and it took another eight years after the initial offer before the Government of Canada finally agreed to resume negotiations with Ontario.

There was no evidence from this research that provinces claimed *exclusive* jurisdiction over labour market policy, as they did over postsecondary education and skills training. All seemed to agree that there was a legitimate federal role, especially as it related to passive labour market policy (through Employment Insurance), as well as labour mobility and labour market information. On the other hand, there was no evidence of any conversations between governments about what role the Government of Canada *could* productively play in the labour market policy field beyond these areas. Federal officials in particular were unwilling to engage in dialogue around jurisdiction or attempt to clarify roles and responsibilities.

There were only a few policy documents with some measure of legitimacy that dealt with this issue. The Charlottetown Accord asserted that the federal government would have a role in "the establishment of national policy objectives for national aspects of labour market development" (Charlottetown Accord 1992), but it was never passed. The Alberta LMDA articulated a federal role in "national emergencies, activities in support of interprovincial labour mobility, national sectoral councils, the operation of the national labour market information, and national labour market exchange systems, and innovative projects" (Alberta LMDA 1996). Whether there

were other useful federal roles that all could agree on, and how these could be operationalized (beyond the existing work underway on labour market information and labour mobility) was never raised through the interviews conducted for this research. Conversations between governments on pan-Canadian issues perceived to be in the national interest, national policy objectives or targets, or how Canadian labour market performance overall might be improved through federal action were not held, despite multiple calls from stakeholders. During the period of this research, the problems of skills shortages, labour shortages, poaching workers across jurisdictions, credential recognition, employer underinvestment in workplace training, and inadequate access to active measures for vulnerable workers were only minimally dealt with in the context of *what* should be done, and focused almost exclusively on *who* should do it. This inevitably led to squabbles over *how* things should be done, including the use of federal money.

Conflict over money has dominated federal-provincial discourse in this policy area every since labour exchanges and training facilities were set up in the early 1900s and was pervasive throughout the period of this research. Since the federal government believed it had jurisdiction, if it was going to spend it then asked itself whether it should spend directly or through provincial transfers. When it spent directly, provinces got annoyed and accused the Government of Canada of not respecting provincial jurisdiction. When it tried to cooperate with provinces, the largest and most powerful refused to participate unless money was put on the table, and then the issue was how much and under what conditions would provinces trade provincial jurisdiction for federal money.

This debate was further exacerbated by provincial differences. Some provinces wanted the money to be shared equally (on a per capita basis), while others maintained that equity and provincial need must be taken into account. Not only was the division of the money problematic, the presence or absence of federal conditions was another divisive issue. Labour market policy was not covered by the historic transfers, which have now become largely unconditional. Financial transfers in labour market policy have historically been conditional and remained so during the

period of this research, a stance that was resisted by provinces like Alberta which insisted on block funding that respected its autonomy as a separate order of government. This in turn conflicted with federal imperatives around accountability for federal spending.

A variety of other reasons contributed to FLMM conflict during the period of this research: a weak stakeholder community; ambivalence about any government role in this policy area; inconclusive reports on the effectiveness of labour market interventions; lack of shared federal-provincial success; and the complexity and opaqueness of the policy area. The presence of close connections to postsecondary education policy, an area historically considered by provinces as off-limits for federal-provincial cooperation, was another reason for FLMM conflict. Certainly changing organizational structures at both the federal and provincial levels were also a factor, as well as the lack of compelling issues, given that unemployment was at its lowest level in decades. But these reasons do not account for the fact that conflict in labour market policy has been a fact of Canadian political history since the early 1900s. Given that both orders of government can legitimately operate in this policy domain, and provinces fight for their share of federal money, labour market policy in Canada continues to be competitive, despite devolved Labour Market Development Agreements. When the policy area is competitive, the institutional structure set up to manage federal-provincial relations (the FLMM) struggles to succeed.

One could ask why any of this is important. It is important because the order of government responsible for labour market policy and how relations are managed on a pan-Canadian basis inevitably impacts labour market policy outcomes, either positively or negatively. Alberta and Quebec officials (as well as provincial stakeholders) were convinced that having the province responsible for labour market policy had improved provincial and local decision-making, allowing labour market actions to mesh with local problems and local institutions. Certainly the quote by Maria David-Evans at the beginning of this chapter summarized the provincial view that interprovincial competition in education was positive and national management bred mediocrity. Federal officials did not seem as convinced, and suggested that

there was no particular evidence through the LMDA evaluations that devolution had had either a positive or negative impact on local labour market outcomes (interview with federal official November 6, 2006). It was hard for others to judge this except anecdotally, given the lack of data, research and evaluation information in this area.

Although local outcomes may have improved with devolution, the trade-off that was made was any sense of the national aspects of the labour market and Canadian performance overall. Rodney Haddow has written extensively on labour market issues in Canada. In his view, federalism and labour market policy in Canada have been "bad for each other":

> *The presence of both levels of government in the labour market field has rendered policy making in the field sub-optimal by fostering service duplication, hindering policy change and limiting program coordination. Shared jurisdiction has also aggravated intergovernmental conflict, thereby undermining Canadian federalism in general (Haddow 2004, p. 259).*

Canada's experience with federalism is unique, as is how federalism operated in Canada in the labour market policy domain during the period of this research. In the view of Marie Bernard-Meunier (reflecting on the role of Quebec in Canada), for a federation to succeed, the constituent units need to commit to the federation as a whole. "What will not work is to claim to want to remain within Canada while at the same time pursuing only one's own interests" (as quoted by Johnson 2007). The evidence from the Canadian case study in this thesis demonstrates that it was not only the Province of Quebec that focused only on its own interests over those of Canada as a whole.

There was no intent through this research to assess the impact of devolution on labour market outcomes in Canada. However, using the comparative analysis in Chapter Eight, consideration will be given to UK governance arrangements and the capacity of the central government to act in that country. This exploration starts in the next chapter through the case study examination of intergovernmental relations in the newly devolved United Kingdom.

CHAPTER 6: INTERGOVERNMENTAL RELATIONS AND LABOUR MARKET POLICY IN THE UNITED KINGDOM

> *People in Scotland want a degree of government for themselves. It is not beyond the wit of man to devise institutions to meet these demands (Mackintosh, as quoted by McConnell 2006)*[98].

Chapters Four and Five of this thesis provided a detailed assessment of intergovernmental relations in labour market policy in Canada. This chapter starts the exploration of the United Kingdom case study, using the same analytical framework as was used for the Canadian case. By using a consistent framework similarities and differences can be identified. Chapter Three has already provided a preview of key differences in the overall social, constitutional, political and institutional context in Canada and the UK. The purpose of this chapter is to go one level down, into an actual policy domain, allowing for a more refined comparison between the two countries. In order to ensure that like is compared to like, elements of the labour market policy domain in the UK were matched to what has already been considered in Canada. The analysis in this chapter and the next therefore focus on what is known in the United Kingdom as 'welfare to work' or 'skills' policy, as well as some dimensions of immigration policy.

Three key elements of the analytical framework outlined in Figure 2 are considered in this chapter: central and sub-state intergovernmental actors, the influence of external actors, and the policy domain. Like the Canadian case study, the analysis starts with the policy domain, including a historical review of how active labour market policy developed in the UK, and how it was managed before devolution by the Scottish Office. This is important, as institutional structures from the past frame the choices facing intergovernmental actors in the present. An overview of Labour's UK-wide commitment to welfare to work and skills reform post-devolution is provided next, including how central and sub-state policies interact and the

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[98] John Mackintosh was the Labour Member of Parliament for Berwick and East Lothian who led the campaign for a Scottish Parliament. These words are engraved in the stone floor at the entrance to the Donald Dewar Room in the Scottish Parliament in Holyrood.

contributions expected from one government to the other's reform initiatives. Here the key determinant is how powers are divided: as a result, national and sub-state competence in labour market policy is examined in some detail. The formal and informal machinery put in place to manage interaction in labour market policy between the UK Government and the Scottish Executive, post-devolution, is also reviewed.

This sets the stage for considering intergovernmental administrative actors, including an assessment of how their interests, values, expectations, experiences and capacity motivated them to take the actions outlined. Actors external to government are another important influence on intergovernmental actors and these are considered in the concluding section of the chapter, including an external actor of particular significance—the European Union. In this context, the chapter includes a brief assessment of the impact of the European Employment Strategy (EES), the European Social Fund, and the European Strategy on Social Inclusion on UK and Scottish Executive actions in this policy domain.

The key focus of the analysis is on relationships between administrative actors with the UK Government and the Scottish Executive. In order to place these relationships within a broader UK context, consideration is also given to how these relationships differed from the management of central-regional-local relationships in England, where there were no devolved parliaments or assemblies. Particular attention is paid to the North East Region of England, chosen as illustrative due to its proximity to Scotland, and because, during the period of this research, devolutionary forces there were the strongest of any English region.

The Policy Domain

The Development of a Centralized Welfare State

The modern day British social security system traces back to the 16th century Elizabethan Poor Laws, where the state—through local parishes—was given the

authority to raise taxes and deliver assistance to people in need. It was not until the late 19th century, when unemployment became a serious issue, that direct government intervention was deemed necessary. One of the first forms of active labour market policy in the UK was the introduction of work schemes and the establishment of labour exchanges. These were brought under central government control and funding in 1910 (DSS 1998).

Over the intervening war years and the Depression, a series of unemployment, poor relief, sickness, and pension schemes were introduced across the UK, administered primarily by local authorities, and in Scotland and Wales, overseen by the Welsh and Scottish Offices. After the release of Social Insurance and Allied Services (Beveridge 1942), these various programs were consolidated into a coherent scheme funded by contributions from employees and employers and administration was transferred to a central Government Ministry operating out of London. Local authorities across the UK retained responsibility for a broad range of social services, but subsequently had no involvement in social security or in implementing a 'work-test'. Although questions were raised about "whether such a high degree of centralization of the new Department [of social security] is either necessary or advisable" (1943 Scottish Records Office as quoted in McEwen 2002, p. 71), the Scottish Office ceded its administrative responsibility for poor relief and pensions in exchange for an expansion of responsibility over health care (Kellas 1989, p. 37-38). This change did not, however, impact the Scottish Office responsibility for education, including vocational education.

Over time, labour exchanges became Unemployment Benefit Offices and, in 1974, were transferred to a modernized public employment service called the Employment Service Agency. A national network of about 1,100 Jobcentres, located in 'high streets' across Great Britain, were introduced. In 1973, the Manpower Services Commission was established to plan workforce skills needs, but was later abolished by the Thatcher Conservatives. Concerned about increased dependency and unemployment, in the 1980s and 1990s the Conservatives implemented a stricter benefit regime and began a massive long-term diversion of claimants onto Inactivity

Benefits (Convery 2007). Other radical institutional changes to the welfare and skills systems were made, including transferring the delivery of training programs for the unemployed to local, private sector-led Training and Enterprise Councils in England and Wales, and to Local Enterprise Companies in Scotland (Finn, Knuth et al. 2004). In England these agencies were later transformed into Learning and Skills Councils.

There have been vocational training institutions of one kind or another in Scotland for well over 200 years, matching the development of industry. These expanded considerably in the 1960s; in the 1980s and 1990s, they became self-governing, and in 1997 came under the supervision of the Scottish Qualifications Authority (SE 2003a). Volume schemes for training the unemployed in Scotland were under the administration of Local Enterprise Companies, with many elements unique to Scotland, including Skillseekers and Modern Apprenticeships. Although overseen by the Scottish Office, funding for many of these initiatives came from the European Social Fund and the European Regional Development Fund (Fairley and McArthur 1999).

In the UK, the provision of vocational education and training for sectors of the economy has historically been overseen by National Training Organizations. In 2002, these were replaced by Sector Skills Councils, licensed by the Secretary of State for Education and Skills, in consultation with Ministers in Scotland, Wales, and Northern Ireland. These independent, UK-wide organizations are employer-led and actively involve trade unions, professional bodies and other stakeholders in the sector. During the period of this research their work was coordinated by the Sector Skills Development Agency (SSDA), which supported the development of National Occupational Standards that underpinned both Scottish and National Vocational Qualifications.

Fairley maintains that the UK's historic approach to vocational education and training has been to promote 'volunteerism' in vocational training with employers and individuals, not government, having the key responsibility. In his view, this contrasts with the historic approach taken by the Scottish Office in which vocational

education and training were viewed as important government roles in order to improve competitiveness, compensate for market failure, regenerate urban neighbourhoods, and train the unemployed (Fairley and McArthur 1999, p. 87). Pre-devolution, operating within the context of a UK-wide system, the Scottish Office ensured, to the degree that it could, that vocational education and training in Scotland were distinct. However, without legislative authority it was significantly limited in the extent to which it could develop and implement distinctive policies. This limitation was specifically what devolution was intended to address.

Labour Market Issues Post-devolution

When Labour came to power, in 1997, one of its flagship commitments was to reverse the Conservative legacy of long-term citizen dependence on government financial benefits[99]. Welfare reform was intended to provide work for those who can and support for those who cannot, and was realized through the implementation of a variety of New Deal programs aimed at moving people from welfare to work by a mixture of incentives, opportunities, and encouragement/compulsion (DSS 1998). Over the period of this research, the UK Government issued numerous green papers and white papers on welfare reform (DWP 2002, DWP 2004a, DWP 2005, DWP 2006b). Through this process they also reframed the debate from 'unemployment' to 'worklessness', in recognition that there were large numbers of lone parents and disabled people collecting state benefits at the same time as skills shortages were emerging. Previously these individuals had had little contact with employment services and were likely to remain on benefits long-term.

The public employment service in the UK was placed at the heart of the UK welfare reform strategy. To improve coordination, in 2002 the Employment Service Agency was merged with the Benefit Agency to form Jobcentre Plus, a national executive

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[99] During the period of this research there were three separate but related benefit programs: Job Seeker's Allowance (for the unemployed), Income Support (for lone parents) and Incapacity Benefit (for the disabled).

agency covering all of Great Britain, including Scotland[100]. As part of the UK Department for Work and Pensions (DWP), this agency operates in partnership at the local level with a wide variety of private, government and non-governmental organizations, each with their own training, advice, and employment initiatives. These organizations expanded across Great Britain during the 1980s and 1990s with the support of local and regional authorities, regeneration programs, charitable trusts, government agencies and the European Commission (Finn 2000, p. 46).

On the other side of the coin to the welfare system is the skills development system. In 2004, these two separate policy worlds officially merged when the National Employment Panel published a report, Welfare to Workforce Development, suggesting ways to increase collaboration between the welfare to work and skills development agendas. Like welfare reform, a variety of skills policy directional papers were issued by Labour during the period of this research (DfES 2003, DfES 2005, HM Treasury 2006). These UK-wide welfare to work and skills initiatives are all nestled within Labour's commitment to the European Union (HM Treasury 2005, 2006) that the country would reach an 80 percent employment rate (the highest of any major country) and eliminate child poverty by 2020. Meeting these UK-wide targets requires considerable effort by all who deliver services to these groups. Employment rate targets were quantified and included reducing the number of people on Incapacity Benefits by 1 million, helping 1 million older workers into the workforce, and helping over 300,000 lone parents into work (DWP 2006b).

All of these reform initiatives were conceptualized in a top-down fashion by UK Ministers and officials, and were expected to be implemented in a relatively uniform fashion across the country. Welfare reform was placed under the leadership of Jobcentre Plus; as it became increasingly evident over time that more local autonomy was needed to improve outcomes, their partnership strategy was formalized, and increased local flexibility was granted (DWP 2004a). Pilot projects allowed for more

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[100] In April 2004 Jobcentre Plus employed approximately 80,000 people in 1,400 locations including Jobcentres, Social Security offices and newly integrated Jobcentre Plus offices. It operated through nine English regions, plus Scotland and Wales. There were different arrangements in Northern Ireland.

local decision-making in selected locales, and a new 'Cities Strategy' in 2006 "devolved the welfare state down to the doorstep" (DWP 2006a, p. 1). The devolved administrations were also expected to work with Jobcentre Plus and play their role in achieving these UK-wide targets and objectives.

In the early years of devolution, Parry commented that, despite devolution and the previous responsibility of the Scottish office for vocational education and training, the New Deal had been piloted and rolled out in Scotland in the same way as in England, with no attempt for even a cosmetic Scottish brand name (Parry 2004b, p. 172). But as devolution became more entrenched and the Scottish Parliament and Scottish Executive developed increased capacity, they began to show a willingness to play a leadership role on issues touching the UK based New Deal. An overarching strategy, called 'Closing the Opportunity Gap', developed explicit Scottish targets against a range of activities that mirrored UK-wide targets (SE 2004a). Those closest to welfare to work included: reducing the number of workless people on benefits; tackling aspects of in work poverty by providing employees with the opportunity to develop skills and progress in their career; ensuring 'looked after' young people leaving care could enter education, training or employment; and reducing the proportion of 16 to 19 year olds not in education, training, or employment.

Demonstrating Scottish Executive commitment to Westminster objectives in welfare reform, Workforce Plus: an Employability Framework for Scotland (SE 2006b) focused on reducing the number of Scots receiving UK benefits and making better use of the estimated £500 million spent each year by all governments on employability services in Scotland:

> *Overall, we see the framework as an opportunity for Scottish Ministers to drive forward action on the devolved areas of employability in Scotland and to have a closely informed influence on the direction of UK policies on benefits and welfare to work.*

The Scottish Executive's refreshed economic development strategy Smart, Successful Scotland (SE 2004b), and Scotland's Life through Learning, Learning through Life: A Lifelong Learning Strategy for Scotland (SE 2003c) included key skills and learning objectives. Post-devolution, the Scotland Executive also placed

considerable emphasis on social inclusion and social justice, and funded social inclusion partnerships to tackle poverty and disadvantage (SE 2003b).

Wales had similar initiatives—for example its approach is called the Skills and Employment Plan for Wales (Welsh Assembly Government 2005). Jobcentre Plus does not operate in Northern Ireland; instead, a Social Security Agency that reports to the Northern Ireland Executive manages similar programs under a policy framework derived from UK-wide policy set by the Department for Work and Pensions. Despite these different organizational arrangements, all sub-state, regional, and local governments and their agents across the UK are expected to contribute to and realize overall UK-wide skills directions and targets, even though, for example, these might be "packaged in a Scottish way" (interview with SE official April 15, 2005).

Of particular interest, post-devolution, were sub-state initiatives that went beyond or diverged from the overall UK line, a situation that emerged in Scotland when the Scottish Executive launched Fresh Talent, designed to address demographic challenges as well as ensure a more skilled and diverse workforce. Recognizing that Scotland's demographic concerns were unique to that part of the country, in 2005 the Scottish Executive, in cooperation with the Home Office, introduced the Fresh Talent: Working in Scotland Scheme (SE 2005a). This enabled international graduates from a Scottish Higher or Further Education Institute to stay and work in Scotland for two years after the end of their course without the need for a work permit. In the opinion of a Scottish Executive official interviewed through this research, this type of initiative would never have been launched pre-devolution, and it involved considerable effort on the part of the Scottish Executive to persuade the UK Government to make adjustments to immigration policy and provide the necessary flexibilities (interview June 6, 2007).

The issues and responses identified above—reducing benefit dependency, increasing the employment rate, reducing poverty, enhancing skill development, increasing social inclusion, integrating students from other countries—provided the policy

substance over which intergovernmental interaction in labour market policy occurred in the UK during the period of this research. What is noteworthy about these issues is their complexity. Not only were the issues being tackled transversal (that is, they crossed policy domains from economic development to immigration to education to social security), responsibility for addressing them was shared among many partners: government, industry, civil society, and individuals.

This thesis is concerned with how *governments* shared power and responsibility in a policy area. Prior to devolution, in 1999, all of the welfare reform and skills activities described would have been decided by and carried out under the overall authority of the UK Government, and implemented, as appropriate, by the Scottish Office, a UK Government department that would have been considered subordinate to the powerful Department for Work and Pensions and the Department for Education and Skills (interview with Whitehall official December 6, 2005). Pre-devolution, relationships between officials in these departments were clearly interdepartmental. With the Scottish Parliament assuming legislative authority for policy making in defined areas, the structure of government in the UK fundamentally changed, making relationships between executives no longer interdepartmental but intergovernmental.

The Division of Powers

When power is shared between governments, a key issue is to identify what each level of government is responsible for, and actors usually look to the founding legislation or constitutional arrangement to assist. In any political system where legislative competence is divided, the powers of each government are generally set out in a written document, in order to prevent one government from trespassing into the legislative competence of the other. In the vast majority of countries, this is their constitution. However, since the UK does not have a constitution contained in a single document, the powers of the two levels of government were set out in a UK Act of Parliament, the Scotland Act 1998.

As identified in Chapter Three, a 'retaining' model was chosen for Scotland, spelling out what the Scottish Parliament *could not do*, with the implication that it *could* do

everything not spelled out. Reserved issues were set out in considerable detail, and the most important reserved issues that linked with labour market policy were set out in Chapter 46 Schedule 5 (reserved matters) of the Scotland Act (1998) as follows:

1. *Head F—Social Security*. This was defined as schemes supported by central or local funds which provided benefits to individuals. Benefits include pensions, allowances, grants, loans and any other form of financial assistance paid to individuals who qualified by reason of old age, survivorship, disability, sickness, incapacity, injury, unemployment, maternity or the care of children or others needing care.

2. *Head H—Employment*. Employment rights and duties and industrial relations were reserved, as was health and safety. Job search and support was also reserved, but the duties that Scottish Enterprise and Highlands and Islands Enterprise had to assist people seeking work to obtain training were excepted. Careers Services was also excepted.

The Act identified training as a shared power in Section 56. The Hansard debates provide insight through the following statement from Mr. McLeish:

> *…although most training for employment in Scotland is carried out through the Enterprise Network, the activities of the Employment Service in Scotland will also need to remain under the control of the [UK] Secretary of State. I shall table an amendment to provide that the powers under Section 2 of the 1973 Act on training for employment can be exercised concurrently in Scotland by the Secretary of State for Education and Employment. That is the right way in which to deal with the problem of genuine overlap (March 31, 1998).*

It was challenging to determine what was devolved and what was reserved in labour market policy through a simple reading of the legislation as it required an understanding of the intersection of two sections of the 1998 Scotland Act (reserved matters Schedule 5 and shared powers Section 56), as well as an understanding of the 1973 Employment and Training Act, the 1944 Disabled Persons (Employment) Act, and the 1990 Enterprise and New Towns (Scotland) Act (Scottish Enterprise and Highlands and Islands Enterprise). Clarity was only available by seeking explanations from those directly involved.

All those interviewed through this research were asked to comment on the division of responsibilities in the labour market policy domain. Based on these comments, as well as an examination of government documents, the following interpretation was

derived. There seemed to be a common understanding that 'social security' meant financial benefits (and any compulsion or obligation in exchange for benefits), and that these were reserved to the UK Government and administered through Jobcentre Plus. There also seemed to be a clear understanding that skills, defined as "capabilities and expertise in a particular occupation or activity", were a devolved responsibility (HM Treasury 2006).

On the other hand, there was no clear understanding over which level of government was responsible for training, and little distinction made between training for employment and any other kind of training. Most believed that training was a fully devolved responsibility, not a shared responsibility as identified in Mr. McLeish's comments and the text of the Scotland Act. Although 'job search and support' were identified as reserved and 'career services' as devolved, overlap in this function was never commented on. The issue that was most unclear was 'employment'. Because Jobcentre Plus used to be called the 'Employment Service' and the term 'employment' is the heading of Section H in the Scotland Act, many thought that anything related to employment was reserved rather than the narrower concepts in the legislative text of 'employment rights and duties and industrial relations'. These involve relationships between workers and employers once someone has a job and include collective bargaining, workplace health and safety, and labour laws (e.g., minimum wage, parental leave, holiday pay etc.).

As identified in Chapter One, the concept of 'employability' is also relevant. For the purpose of Workforce Plus (SE 2006b), the Scottish Executive used the following definition:

> *Employability is the combination of factors and processes which enable people to progress towards or get into employment, to stay in employment and to move on in the workplace.*

Factors which determine a person's ability and motivation to be employed include education, money advice, training, health, child care, social work, criminal justice and housing. These are all devolved responsibilities. Both Scottish Executive documents and the interviews undertaken with Scottish Executive officials through

this research (April 15 and 21, 2005 and December 2, 2005) demonstrate that 'employability' supports were considered primarily as devolved competence.

A Scottish Executive official identified that, when differentiating between devolved and reserved, the most important issue was the 'purpose test' (interview March 29, 2005). Irrespective of an issue being identified as reserved, the Scottish Parliament could legislate and spend in a reserved area if it was for a devolved purpose. An example was when the Scottish Executive decided to pay compensation to Hepatitis C sufferers who had received contaminated blood. Although health was devolved, this involved a social security scheme and the UK Government could have challenged this on the basis that social security was reserved. In the end, the UK Government was prepared to allow the Scottish Executive to proceed, given its strong views about the issue and willingness to spend political capital to act in this area (interview with SE official March 29, 2005).

In conclusion, during the period of this research, labour market policy in the UK cut across devolved and reserved responsibilities; as a result, dealing with the most important issues required the direct involvement of both levels of government. What was particularly significant, in contrast to the Canadian case study, was that in the UK many more policy instruments, funding allocations, and responsibilities in the labour market policy domain were under the control of central, not sub-state or even local governments. When Labour came to power, in 1997, and came to realize the extent of the 'worklessness' problem that they had inherited, welfare and skills reform became a government priority at the highest levels. As a national responsibility, a national response was required. This contrasts with Canada, where government responsibility for income support is split between orders of government, and action to reduce citizen dependence on government benefits had occurred several years earlier, initiated primarily by provincial governments concerned with increased social assistance caseloads and costs.

If it is unclear or 'grey' about who does what, who should do what, or if some actors think that additional responsibilities should have been assigned to sub-state governments in the first instance, this has great potential to impact the intergovernmental relationship. This was certainly the case in Canada with Quebec and other provinces maintaining that training and labour market development were areas of exclusive provincial jurisdiction. A key question this research sought to answer was whether responsibility in labour market policy was contested, and whether with devolution Scottish citizens, bureaucrats, or politicians sought additional responsibilities in this area.

There was not much debate about this at the time of devolution, primarily because devolution in effect transferred responsibilities that had already been administratively devolved to the Scottish Office and social security and employment had been centrally led and delivered since the expansion of the British welfare state after the war. According to Parry, social security was viewed as a "low-value political issue for Scottish Ministers and officials. Generating a vast caseload and with no basis for pursuing distinctive policies, social security promised nothing but trouble if it were to be devolved" (Parry 2004b, p. 170).

Most stakeholders interviewed through this research (March 10, 2005, April 25, 2005, November 14, 2005) expressed little interest in moving social security responsibilities and the conditionality associated with the payment of benefits to the Scottish Parliament. In their view, British citizens view social security as a central tenet of the welfare state, and expect benefits and obligations to be uniform across the country. There appeared to be little interest on the part of the devolved administrations in becoming directly responsible for a "program that picks up the pieces when people fail or fall out" (interview with SE official April 25, 2005). There were exceptions to this view. A Scottish Enterprise official acknowledged that, without accountability and a sense of local ownership, solutions to the problem of worklessness in Scotland would remain elusive (interview February 14, 2005). A

Jobcentre Plus official thought that Scottish local authorities might prefer the social security and welfare to work remit to be devolved from the centre, although not necessarily to the Scottish Executive (interview March 16, 2005). On a more informal basis, a professional delivering medical services to those receiving UK benefits suggested that "Scotland will never have a grown up Parliament until we take responsibility for social security" (comment September 22, 2004). As devolution beds down, Scottish citizens seemed increasingly willing to consider that possibility, with 53.2 percent stating a preference for the Scottish Parliament over the UK Government at Westminster to make decisions on the level of welfare benefits (Scottish Election Study 2007).

At the time of devolution, welfare to work and skills were not high-profile policy initiatives, and job placement services focused only on those on JobSeeker's Allowance. Like in Canada, before devolution the primary issue of concern was unemployment, not benefit dependency, skills or labour shortages, or overall UK competitiveness. There were few UK-wide services provided to people considered 'hard to employ' (e.g., Income Support or Incapacity Benefit recipients), nor were there any obligations or expectations on them to seek work. The key government response was to passively pay benefits. Before Labour was elected, in 1997, most services to help the hardest to employ were provided on a discretionary basis by interested local authorities using funding available from the European Social Fund. There were no national or UK-wide strategies (interview with JC+ official December 5, 2005).

Under Labour, the UK Government completely altered the focus and organization of the UK-wide public employment service and gave it an entirely new mandate to help a brand new client group into work. As a result of this UK-wide direction, the programs and services of Scottish local authorities, the Scottish Enterprise Networks, and Jobcentre Plus converged and competition for the same client started to emerge (interview with Scottish Local Authority official April 27, 2005). During the period of this research more joined-up working became necessary as welfare to work crossed the line into workforce development and even into economic development as

the imperatives of skills shortages and increasing the overall employment rate came to dominate the UK and Scottish discourse.

Despite these concerns, during the period of this research, there was limited public discussion in the UK on expanding the devolution settlement to provide the Scottish Executive with more powers in labour market policy, or in considering whether some programs might be more appropriately developed and delivered on a local (as opposed to a national) basis. In Keating's opinion, "while there is a lot of support for devolving active labour market policies, neither side of industry has ever shown support for devolving labour law or regulation" (Keating 2005, p.26). The Liberal Democrat commissioned Steel Commission report (2006) Moving to Federalism- a New Settlement for Scotland, suggested new tax powers and other significant changes to the devolution settlement, but made no suggested changes to labour market policy. On the other hand, Steel did suggest new ways of managing the interface between reserved and devolved issues of significance to this research:

> *Asylum and immigration remain reserved but should be subject to formalized partnership working…social security should also remain reserved but the Scottish Government should have a role in the strategic planning of welfare services through a formalized system of partnership working (Steel 2006).*

In June 2007, the Local Government Association (responsible for promoting the interests of English and Welsh local authorities) issued a policy paper challenging uniform national rules for employment and skills programs, using the OECD logic that since labour markets are local, local governments should assume these responsibilities. After all, before Labour assumed power, in 1997, it was local authorities, primarily using European Union funding, that took initiative on poverty and deprivation as central government was generally disinterested (interview with SE official December 2, 2005). The Local Government Association called upon central government to "devolve, localize, and incentivise welfare" by fully devolving responsibility for employment and skills to local-authority led sub-regional and local partnerships (LGA 2007, p. 5-6). In a similar vein, after taking over the Scottish Executive in 2007, the Scottish National Party released a policy paper suggesting social security and employment services as areas where the Scottish Government might assume greater responsibilities within the context of an expanded devolution

settlement (SE 2007). Expanding the devolution settlement or considering whether Scotland should become an independent country have been put forward as part of a national 'conversation' around options for Scotland's constitutional future.

The interviews for this research were undertaken primarily in 2005, when calls for greater autonomy for Scotland were more muted, as Labour was in control of both the UK and Scottish Parliaments. Poverty and disability advocates interviewed did not make a distinction between what was reserved and what was devolved in welfare to work. In their view, both governments were involved and needed to be there when conversations were taking place on what needed to be done to improve people's circumstances. They did not perceive that the problems facing disadvantaged people in Scotland would be solved by having the Scottish Executive assume more responsibility for either social security or welfare to work (interview November 14, 2005).

Likewise, civil servants at both the centre and with the Scottish Executive expressed no particular views on the division of responsibility; all were aware that the dividing line between reserved and devolved competence in welfare to work was 'grey' and unclear and there was a high degree of interdependence between UK and Scottish policies (interviews April 15 and 21, 2005, December 2, 6 and 16, 2005). For them, in the end it 'didn't really matter'; their key priority was to make the devolution settlement work and issues were thrashed out between officials on a continuing basis, and no real disagreements over jurisdiction between governments had emerged. There was, however, a growing sense that the Scottish Executive was taking more initiative and willing to assume a greater measure of accountability and responsibility in this area:

> When we first had devolution there was a reluctance to address almost any issue to do with employment as it was felt that employment overall was not a devolved issue, even though it's really only benefits and employment law that are not devolved. There is a whole host of ways that the Executive can influence the way that we employ people in Scotland. The Employability Framework does show more assertiveness on the part of the Executive (interview with poverty advocate November 14, 2005).

Despite this Scottish initiative, on an ongoing basis the UK Government articulated labour market problems and solutions, and this need for a UK-wide approach was generally accepted and expected. Despite the establishment of sub-state governments, during the period of this research there was little defense of 'turf' or jurisdiction in the labour market policy domain, nor a concerted push for more sub-state responsibility. Instead, governments at all levels focused on resolving issues, not fighting for jurisdiction.

Intergovernmental Machinery

In order to facilitate coordination, a number of institutions and processes were put in place between governments, some of which also involved stakeholders external to government. Although both formal and informal channels were chosen, the informal tended to dominate. These were all guided by the overarching Memorandum of Understanding outlined in Chapter Three.

Organizations

During the period of this research, the Department for Work and Pensions maintained a liaison position in Scotland to ensure open communications with the Scottish Executive on all departmental issues. In addition, officials with the Scotland Office worked behind the scenes to oil the wheels and facilitate relationships and communications, playing an intermediary role as the "conscience of Scotland in the UK Government" (interview December 8, 2005). They also provided an in house consulting service, advising UK Ministers and officials on how the Scots might view UK-wide initiatives. There were defined processes for the Scotland Office to be kept in the loop on policy issues perceived to be of significance to both governments; for example, Scotland Office officials were significantly involved in examining Scotland's Workforce Plus (SE 2006b) in the context of UK-wide policy (interview with Whitehall official April 11, 2005).

<u>Committees</u>

In the early days of welfare reform, a multilateral Welfare to Work Liaison Committee chaired by a senior official from the Department for Work and Pensions met monthly with senior officials from the devolved administrations in Scotland, Wales, and Northern Ireland to ensure that UK welfare reform and the integration of the Employment Service and Benefits offices were sensitive to devolved issues. According to the Whitehall official involved, "as time went on the need for these meetings fell away as it became clear that national policy development was good for the devolved administrations and they became comfortable that the UK Government was playing fair" (interview December 6, 2005). The meetings became little more than information sharing on the part of the UK Government as the devolved administrations had little to contribute. This process was replaced by invitations to Scottish Executive officials to participate directly as appropriate on interdepartmental committees established by UK Government departments.

A Welfare to Work Advisory Task Group (consisting of officials from both levels of government, as well as stakeholder representatives) was set up in Scotland in the early years, post-devolution. Over time it was replaced by the Welfare to Work Planning Group, consisting of a small group of senior civil servants chaired by the Head of Group in Scottish Executive Enterprise, Transport and Lifelong Learning (SEETLLL), plus officials from DWP, Jobcentre Plus Scotland, the Enterprise Networks and relevant officials of the Scottish Executive and the Scotland Office. Key responsibilities of the group as outlined in its terms of reference were to consult on arrangements for partnership working with the key social and economic agencies in Scotland; support Jobcentre Plus on the coordination of welfare to work programs in Scotland; undertake joint working where necessary; and resolve issues arising. Although the group generally met monthly, during 2005 many regular meetings were suspended as work groups involving both governments as well as other stakeholders developed the Scottish Employability Framework. After <u>Workforce Plus</u> (2006b) was finalized, the Welfare to Work Planning Group was transformed into the

National Workforce Plus Partnership Board, jointly chaired by the Scottish Executive and Jobcentre Plus.

Agreements

Post-devolution, a number of written agreements or concordats related to labour market policy were entered into, all signed by officials (not Ministers), indicating that they were considered administrative, not political agreements. What was noteworthy was that none of these agreements, in contrast to the Canadian accords, involved intergovernmental funding transfers.

The relationship between the Department for Work and Pensions, Jobcentre Plus and the Scottish Executive was outlined in a concordat, an agreement, and a Partnership Accord. The Concordat between the Department for Work and Pensions and the Scottish Executive (written initially just after devolution and then revised and updated in June 2004) set out ground rules between DWP and the Executive for consultation, exchange of information, finance, access to services, resolution of disputes, and review of relations. It committed both parties to working jointly on welfare to work initiatives, job search and support, job-related training and wider life-long learning policies.

The Working Level Agreement relating to Job Search and Support and Job Related Training (including the New Deal and Welfare to Work Generally) (undated) went beyond just a procedural arrangement to identify shared objectives and detailed processes for how governments would work on welfare to work activities. Shared objectives included helping people not in work to obtain and remain in work.

The Scottish Partnership Accord- Helping the Hardest to Reach into Work, signed in February 2005 between the Scottish Executive, the Department for Work and Pensions, and Jobcentre Plus, reconfirmed these objectives but, since it was signed with the Convention of Scottish Local Authorities, it officially brought in Scottish local governments. The Accord explicitly linked the UK-wide objectives of

increasing the employment rate, reducing poverty, and encouraging social inclusion with the Scottish Closing the Opportunity Gap objectives. There was also a detailed tool kit plus an action plan for local authority implementation. The Scottish Partnership Accord was modeled after similar accords developed and implemented in England and Wales (interview with Jobcentre Plus official April 28, 2005).

There were separate arrangements between the Scottish Executive and the Department for Education and Skills. The Concordat between the Scottish Ministers and the Secretary of State for Education and Skills (undated) provided a framework for cooperation on a variety of areas of devolved competence related to school education, lifelong learning, training, qualifications, careers advice and guidance. It primarily outlined principles for consultation, exchange of information and correspondence.

There was also a Protocol between the Scottish Executive and the Sector Skills Development Agency (SSDA) on Sector Skills Councils in Scotland (2004). Since the SSDA had a UK-wide remit and reported to the Department for Education and Skills, the protocol was intended to ensure that Scottish skills and training policy were fully reflected in SSDA Board discussions and decisions. The protocol spelt out in detail the various relationships between the SSDA and key Scottish stakeholders, including the Scottish Qualifications Authority, the Enterprise Networks, Careers Scotland, Futureskills Scotland, learndirect Scotland and the Scottish Trades Union Congress. There was also a related co-sponsorship agreement between all government departments (Department for Education and Skills, Department of Trade and Industry and the devolved administrations) with the SSDA and the Skills for Business Network.

Poirier (2001, p. 28-30) examined a number of these first concordats developed after devolution in the UK and assessed them as primarily focusing on procedural cooperation, rather than substantive policy coordination, para-constitutional engineering or regulating by contract, as could be found in other countries with federal political systems. She saw these 'soft law' UK concordats as an effective

process to ensure collaboration and continuity between the Scottish Executive and Whitehall in policy delivery, and to minimize and manage conflict. In her opinion, they provided important guidance to public officials who had to make devolution work and were a significant improvement over the way agreements were concluded in countries such as Canada[101].

Informal Relations

Many officials living in Scotland interviewed for this research had worked in training and employment policy for many years, knew each other well, and had considerable experience in collaborative working, leading to the development of mutual understanding and trust. Many of these relationships predated devolution. Fairley and McArthur (1999) attributed this positive working relationship to the 'regional partnership' element required in order to access European Social Funds (ESF). In their view, the ESF contributed significantly to the development of the institutional infrastructure for economic development and vocational training in Scotland, capacity building between Scottish officials, politicians, and their organizations to manage these funds, and a significant measure of independence from the UK Government through this process.

These informal networks lay beneath the more formal ongoing committee and agreement structure outlined. They included relationships at all levels, including bilateral Minister-to-Minister relationships. For example, the Scottish Deputy Minister Allan Wilson participated directly with Jim Murphy the UK Minister of State for Employment and Welfare Reform in the 2006 launch of the UK green paper on welfare reform. Minister Wilson described relationships with his UK counterparts as follows:

> *I have been actively engaged with three successive Department of Work and Pensions Ministers on [coordinating reserved and devolved powers] during*

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[101] Given the details provided in Chapter Four on the substance and use of Canadian agreements in facilitating collaboration in labour market policy (especially on a bilateral basis), one can only assume that Poirier's derogation of Canadian agreements related to multilateral procedural arrangements such as the Social Union Framework Agreement, and neglected to examine agreements structuring both financial arrangements and government roles and responsibilities.

the past two years. I have found them to be responsive and happy to work with us on developing new strategies and approaches to the problems to ensure that the partnership of which I speak involves them[102].

In the context of welfare to work policy, there were no disagreements requiring Ministerial action; this contrasted with differences of approach around policy issues such as top-up fees for postsecondary education where, according to a Scottish Executive official, the ad hoc and reactive approach on both sides created disgruntlement and a commitment to "do better next time" (interview April 21, 2005). Processes for connecting and smoothing over relationships included follow up Minister-to-Minister meetings, as well as party networks. The Fresh Talent initiative provided a good example of the importance of informal connections between the UK Home Office Minister and the Scottish First Minister:

> *You need political will to make these things happen…Mr. McConnell engaged directly with Minister Blunkett who was willing and happy to help…both directed officials to make it happen, in recognition of Scotland's unique demographics (interview with SE official June 6, 2007).*

Many commentators in the UK have expressed concern about the over-reliance on informal intergovernmental mechanisms, post-devolution. The House of Lords report concluded "we are concerned by the sheer extent of the reliance on goodwill as the basis for intergovernmental relations in the UK" (House of Lords 2002, p.15). With respect to the role of the civil service, Parry reflected "the image is that of traffic management and partisan mutual adjustment to avoid collisions…there is a risk that officials are placing too much reliance on the afterglow of the implementation of devolution in 1999" (Parry 2004, no page). Trench (2003, p. 166) took this a step further, expressing concern that informality would diminish the autonomy of the devolved administrations as it "enabled the UK Government to take the initiative to an excessive degree".

On the basis of this research it is clear that informality prevailed at the Ministerial level. Officials did not want to use the formal intergovernmental framework of JMC meetings or multilateral meetings among Ministers, as that would have demonstrated

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[102] Testimony by Allan Wilson at the Scottish Enterprise and Culture Committee meeting January 23, 2007.

failure. Since skills and welfare reform issues differed by nation, Ministers themselves did not see a need for more formality, or that multilateral relationships involving all the devolved administrations would be helpful.

On the other hand, at the administrative level considerable efforts were made, post-devolution, to formalize relationships via committees, concordats, protocols and agreements. Although important in the early days of devolution, according to a Scottish Executive official these concordats and working level agreements were rarely used. Despite the effort involved in their negotiation "today they just sit in my drawer and are rarely referred to" (interview with SE official April 15, 2005).

However, the significance of these more formal efforts and other defined processes should not be discounted. Early post-devolution agreements provided the foundation for the structured and defined meeting and agreement processes that emerged over time such as those undertaken for the development of Workforce Plus (2006b). Agreements also substantially structured the relationship between the UK-wide Sector Councils and the Scottish Executive and their agencies, ensuring that Scottish concerns were taken into account by these UK-wide agencies. In contrast, in Canada there were no similar types of agreement to facilitate connections between federally mandated Sector Councils and provincial governments.

Relationship Management between the Centre and the North East Region of England

The intergovernmental machinery and the division of powers that have been described in this chapter apply only in Scotland. As outlined in Chapter Three, devolution in the UK is highly asymmetrical. Although Wales and Northern Ireland have different powers and governing structures to Scotland, there were similarities to Scotland in terms of how the relationship with the centre was managed. On the other hand, arrangements in England were very different, as there are no sub-state governments. In order to put this Scottish experience into context, the final section of the policy domain analysis provides a brief overview of how relations were managed between the centre and government departments working in England, with particular reference to the North East Region of England.

During the period of this research each English region had a Government Office[103], a Regional Development Agency[104], and a Regional Assembly of councilors[105]. This arrangement was relatively recent, and co-terminous boundaries had only been put in place in the nine English regions over the past five years. In addition, each region had a number of Jobcentre Plus offices, Learning and Skills Councils, and local authorities.

On welfare to work issues at the local level, Jobcentre Plus' key partners were local authorities. Partnership working was outlined in a Partnership Accord negotiated by DWP with the Local Government Association on behalf of all of the English local authorities[106]. Each local authority was expected to develop a Local Strategic Partnership to provide a framework for local coordination; this involved a number of local partners including government agencies like Jobcentre Plus, as well as business and voluntary organizations (interview with JC+ official December 5, 2005).

There was also an expectation that central government, local authorities, and the Local Strategic Partnership would agree on Local Area Agreements. Welfare to work activities and Jobcentre Plus' goal of helping the hardest to reach into work were contained within the 'economic development and enterprise' stream of Local Area Agreements. These were seen by Labour as a new approach to join up delivery of local public services and as a way to pool funding streams so that local authorities could deal with the multitude of separate funding streams they were expected to manage for a wide variety of UK initiatives. Through Local Area Agreements, the

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[103] Government Offices carried out work on behalf of ten Whitehall departments and staff remained part of the administrative hierarchy of sponsoring departments.

[104] Regional Development Agencies were funded by six Whitehall departments and agencies.

[105] Seventy percent of the councilors were nominated by local authorities, and 30 percent by social, economic and environmental partners in the region (Townsend 2006).

[106] The Department for Work and Pensions and Jobcentre Plus met three times a year with the Local Government Association, to discuss a range of issues under DWP competence. Although the Convention of Scottish Local Authorities (COSLA) was invited to these meetings, it declined, viewing its prime relationship as with the Scottish Executive (interview with COSLA official April 19, 2005).

centre also provided additional funding for targeted initiatives like poverty reduction (interview with Whitehall official December 6, 2005).

With respect to skills issues, every region was expected to develop a Regional Skills Partnership; for example in the North East Region this was outlined in a document called <u>Skills North East- the Regional Skills Partnership, Skills Action Plan 2005-2006</u>. While regional partnership working was outlined in this action plan, each player reported to its parent organization in London and was expected to implement departmental policies in its region, as well as what was outlined in the partnership arrangement.

Jobcentre Plus in the North East Region was expected to ensure that its welfare to work policy directions were reflected in both the Regional Skills Action Plan and the Local Area Agreements and the mechanisms for accomplishing this were outlined in its internal Partnership Strategy and policy directives. This prescribed which partners were the most important in order to deliver on their welfare to work targets. Partnership working was a recent initiative for Jobcentre Plus; the Employment Service was much more accustomed to partnership working than the Benefits Agency who before they merged with the Employment Service did not work in partnership arrangements at all (interview with JC+ official April 28, 2005).

Although actors and organizational structures in England had similar names and functions to those in Scotland, the key difference was in reporting relationships. With the exception of Jobcentre Plus, all Scottish initiatives were under the control of the Scottish Executive and Scottish Parliament. In contrast, in England each agency reported to its parent department, for example, the Learning and Skills Council reported to DfES, Jobcentre Plus reported to DWP, the Government Office for the North East reported to the Office of the Deputy Prime Minister and the Regional Development Agency reported to the Department of Trade and Industry. There were a mixture of regional and local governance arrangements, all developed and tightly controlled by parent organizations at the centre. This suggests that, in labour market policy in England, the UK Government had not taken up the OECD (2007)

suggestion that outcomes in this policy domain would be improved if substantially controlled at the regional or local level.

Interests, Values, Expectations, Experiences, and Capacity of Intergovernmental Actors

As in the Canadian case study, the chapter turns now to consider the next element of the analytical framework depicted in Figure 2, that is the interests, values, expectations, experiences, and capacity of intergovernmental actors. This is considered first from the perspective of actors with the Scottish Executive and Whitehall, and then with regard to actors working in the North East Region of England.

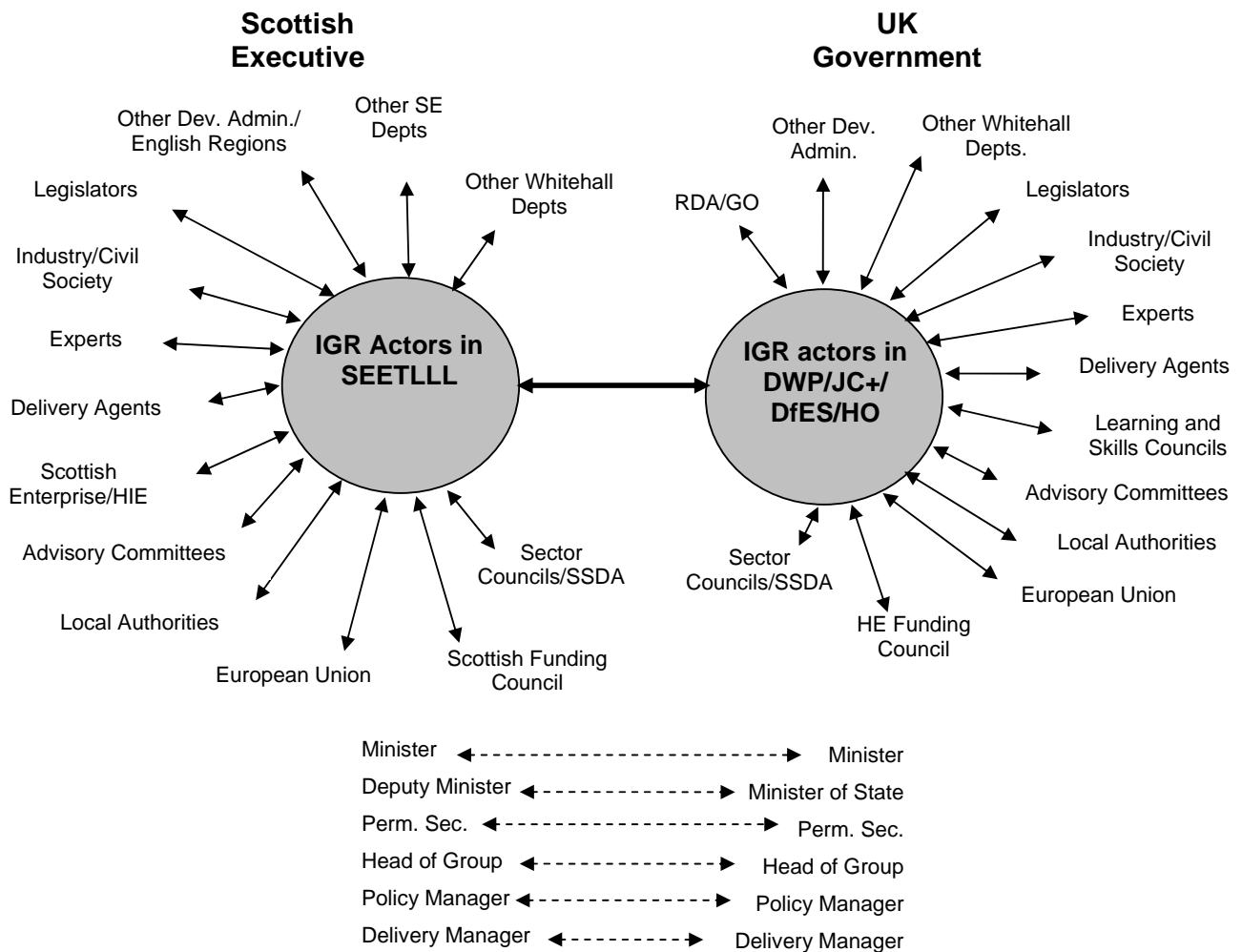**Figure 6: Labour Market Actors and Their Relationships in the UK**

Figure 6 portrays the actors involved in labour market policy in the United Kingdom during the period of this research. In Scotland responsibility for welfare and skills reform was assigned to the Scottish Executive Enterprise, Transport & Lifelong Learning department (SEETLLL), with some involvement from Communities Scotland and the Finance Department with respect to regeneration, housing, poverty and immigration. Unlike Canada, there were no departmental civil servants whose role was specifically dedicated to intergovernmental relations; relations with the UK Government formed part of the overall policy responsibilities of staff in the SEETLLL department.

Two separate government departments managed the UK welfare to work and skills reform agendas: the Department for Work and Pensions (DWP) and the Department for Education and Skills (DfES). Officials from Her Majesty's Treasury and the Prime Minister's Strategy Group were also involved. Matters relating to immigration were managed by the Home Office. As already identified, of particular significance to this research was the role of Jobcentre Plus, the UK executive agency[107] charged with implementing the welfare to work agenda across Great Britain. Pollitt characterized the relationship between the Department for Work and Pensions and Jobcentre Plus as a principal-agent relationship. Given a tumultuous history during the Thatcher years, in his view the management structure that had been put in place ensured the agency's subservience to the Ministry (Pollitt 2004).

Intergovernmental Actors with the Scottish Executive and Whitehall

A strong element of continuity in the UK was provided by the civil service, with officials from both levels of government part of a unified Home Civil Service. From the beginning it was decided that there should not be a Scottish civil service, so that staff could move to and from Whitehall departments. However, in practice the Scottish Executive was dominated by Scots, with 70 percent of the senior civil service and three quarters of heads of departments having never worked in Whitehall.

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[107] From 1988 to 1998 over 80 percent of British civil servants were transferred to over 120 executive agencies, still considered part of the UK Crown. The intention was for agencies to focus on delivery, leaving the parent department to concentrate on policy development.

According to Keating (2005, p. 102), most civil servants in both governments were from upper middle class families and male; many had been educated at private schools and elite British universities.

As a result, civil servants in both levels of government shared similar values and interests. According to Sloat (2002, p. 161), their most important shared interest was in making devolution a success; civil servants from both governments saw their role as making the settlement operational while preserving the unity of the UK. Maintaining goodwill and positive working relationships were an important part of achieving that objective (interview with SE official April 15, 2005). This goal was shared even by those who had not been working in their role when devolution was implemented; indeed, a number of those interviewed had joined the civil service post-devolution. Certainly the importance of devolution was most keenly felt by people living in Scotland; those living in the rest of the UK were aware of devolution but not as attuned to the differences it had made and how this might impact their work. A key role for officials in the UK Liaison Team in the Office of the Permanent Secretary in the Scottish Executive was to offer ongoing training sessions to Whitehall civil servants on the implications of devolution in the UK. Otherwise they found that UK departments forgot about devolved issues when making UK or English policy (interview with SE official March 4, 2005).

Another shared interest of all civil servants was agreement on the overall direction and thrust of welfare to work and skills reform in the UK (interviews April 15, April 21, December 6, December 12, and December 16, 2005). Although it was acknowledged that there might be differences in approach with the Scottish Executive "preferring a carrot to a stick approach" (interview December 6, 2006), civil servants and politicians of all political stripes demonstrated a firm commitment to the UK-wide directions of reducing citizen dependence upon government benefits, increasing the employment rate, and reducing child poverty. That reform should focus on improved coordination, as opposed to increased funding or adjustment of remits, was also agreed.

As members of the same club, Scottish Executive and Whitehall officials shared many common values. A desire to 'de-problematize' meant a focus on working together to come up with solutions to problems, avoiding Ministers and the use of the party political system (interview with SE official April 21, 2005). This approach was reinforced by practice at the European Union table, where the necessity of holding to a 'UK line' when negotiating on European matters was highlighted (interview with SE official December 2, 2005).

On the other hand, there were differences in expectations and experiences between civil servants at the centre and those in the devolved administrations. For Scottish Executive civil servants their key loyalty was to the Scottish Executive, guided in all its activities during the period of this research by the 'Programme for Government', the Labour-Liberal Democrat political agreement entered into after each Parliamentary election (interview with SE official April 15, 2005). Scottish Executive officials also expressed more commitment to overall Scottish Parliamentary initiatives, not just to those of their individual department. A poverty advocate attributed this to the joined-up thinking that the Scottish Executive had put in place, post-devolution, given additional resources and the democratic accountability and legitimacy that came with having a Parliament that could impose a direction if necessary (interview November 14, 2005).

For the Scottish Executive to consider different approaches, they needed policy capacity, and this required competent, stable civil service staffing resources. Since devolution, overall staffing resources assigned to the Scottish Executive had grown; at the same time, Department for Work and Pensions resources were being reduced. Between 1999 and 2006, the staff headcount of the Scottish Executive core departments grew from 3,800 to 4,400 while the headcount of other Scottish agencies grew from 4,200 to 6,300—an overall increase of 25 percent. In contrast, the headcount of DWP staff in Scotland grew in the same period from 12,800 to 13,100—only 2 percent[108] (SE 2006a). Looking towards 2008, Jobcentre Plus'

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[108] This statistic also demonstrates the significantly larger role played by UK Government staff in labour market policy when compared to the Scottish Executive.

overall headcount across the UK was expected to be reduced from 80,000 in 2004 to 65,000 by March 2008 (JC+ 2005). With increased resources the Scottish Executive was able to step in and contribute to joint working, whereas Jobcentre Plus with reduced resources was not.

The most significant difference between intergovernmental actors at the centre and with the Scottish Executive, post-devolution, was in terms of expectations: if the Scottish Parliament did not deliver policies and programs that were more attuned to Scottish needs, what was the point of devolution? This could mean either changing policies, or maintaining the status quo in light of changes in England. During the period of this research the focus of Scottish Executive civil servants was on developing and delivering bespoke programs and policies that they perceived were desired in Scotland, while continuing to work within the constraints of devolution and a UK-wide political system. On the other hand, Whitehall civil servants, while recognizing Scotland as a nation and its need for some level of distinctiveness, were focused on the development of policies and programs for UK-wide implementation. According to an academic interviewed for this research, Whitehall is an English civil service and assumes that what is good for England (or indeed some would argue for London) is good for the UK (interview December 2, 2005). They have a traditional approach to doing business, with green papers, white papers, and consultations all leading to the development and implementation of UK-wide legislation. That there is now a territorial dimension to policy making is often an afterthought.

Interdepartmental Actors in the North East Region of England

The territorial dimension to policy making was an afterthought because, during the period of this research, 85 percent of the UK population were *not* governed by sub-state parliaments and assemblies. Since England did not have regional governments, relationships between the centre and the English regions were by their very nature interdepartmental, not intergovernmental. Individual departments (e.g. health, police, and ambulance) each made their own plans on the extent to which they would regionalize (interview with JC+ official December 5, 2005). Pearce suggests that during the period of this research there was a deep-seated ambivalence in Whitehall

about the need for a regional perspective, with regional institutions viewed merely as an administrative convenience whose prime objective remained the delivery of national policies, rather than the management of territory (Pearce and Sayres 2006). While the new Prime Minister, Gordon Brown, acknowledged that power had become too concentrated at the centre, the way forward on how Britain should be governed remained unclear (Secretary of State for Justice 2007).

Unlike in Scotland, the key loyalty of civil servants working in the North East Region of England was to their individual department, not to their region. A Jobcentre Plus official working in the North East Region thought that things must be different in Scotland as with the Parliament and Scottish Executive there was a single governing body that could direct people. From what he had seen:

> *They seem to be better sorted in terms of the direction in which they are going…elected Regional Assemblies would have brought this regional leadership. Instead [the North East Region] has leadership by committee, with various vested interests trying to position themselves…in my view what is needed is a Regional Skills Partnership with teeth (interview December 5, 2005).*

Synthesis

The main difference between civil servants with the Scottish Executive and their colleagues working in England in labour market policy is that Scotland has a completely different political dimension, with everyday scrutiny of politicians by opposition politicians and the media, and easier access by stakeholders (interview with JC+ official December 16, 2005). On the other hand, as part of a unified Home Civil Service, civil servants at the centre, in the English regions, and in the devolved administrations in the UK share similar values, experiences, interests and expectations. Unlike Canada, there were almost no civil servants whose jobs were dedicated exclusively to intergovernmental, inter-institutional, or interdepartmental relations with a prime focus on protecting jurisdiction. Jurisdiction is not an issue in the UK as all civil servants are part of the same organization. They share commonly understood 'rules of the game', a common culture, and the focus of policy making is on what needs to be done, not who would do it.

During the period of this research, civil servants at the centre and with the devolved administrations also shared a commitment to devolution, as well as a commitment to the UK-wide objectives for welfare and skills reform. Devolution was a Labour project and, since all were governed by the Labour Party, there were very few differences that caused discord. When issues came up, they were accommodated through the civil service networks that had been retained, post-devolution, or through the Labour Party system. Although devolution provided an opportunity for policy differentiation, during the period of this research civil servants throughout the UK were still exploring the parameters of this differentiation. In this context some of the key challenges came to their attention through the influence and involvement of actors external to government.

Involvement of Actors External to Government

Chapter Two of this thesis makes the argument that, due to the existence of Westminster systems, intergovernmental relations in both Canada and the United Kingdom are executive-dominated. Certainly the analysis of the Canadian case study confirms this to be true with respect to labour market policy. The purpose of the final section of this chapter is to explore this in greater detail and determine the extent of executive dominance in the UK.

The Influence of External Actors on the UK Government and Scottish Executive

Figure 6 provided an overview of some of the key external actors involved in labour market policy in the UK. The most important and influential actors at both levels of government were individuals who worked for 'executive non-departmental public bodies'. These arm's length bodies were established by governments to deliver a particular public service; they were overseen by a board rather than by Ministers, employed their own staff, and were allocated their own budgets[109]. Many elements of the UK and Scottish welfare to work and skills reform agenda were delivered by

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[109] In Canada these responsibilities were carried out by civil servants working in federal and provincial government departments.

these organizations: for example, Scottish Enterprise and Highlands and Islands Enterprise (in Scotland), and the Learning and Skills Councils and Regional Development Agencies (in England). Other non-departmental public bodies such as Qualification Authorities, Further and Higher Education Funding Authorities, and the Sector Skills Development Agency and Sector Councils were also important.

There were also a wide variety of stakeholders not under direct government control. There included postsecondary institutions, as well as territory specific stakeholders such as the Trades Union Congress, business groups, and civil society representatives. The media was particularly influential. According to an academic interviewed through this research, the centralized nature of the media in the UK contributed to the centralization of UK policy making, as Westminster politicians were held to account for anything that went wrong anywhere in the country (interview December 7, 2005). In the view of this individual, the London-based media had little appreciation for the new complexity that territory had brought to policy making and implementation in the UK, and consistently failed to distinguish between policy issues which were UK-wide and those which were applicable only in England. Even the Scottish media found it difficult to understand the differences between devolved and reserved issues, and when a policy announcement came from Westminster they did not seem to want to listen to detailed arguments about why something was different in Scotland than in England (interview with SE official April 21, 2005).

Experts (either from the academic community or policy research institutes) also influenced intergovernmental actors. For example, the Department for Work and Pensions viewed itself as a leader in evidence-based policy making, commenting on its recognition in this capacity by the OECD (DWP no date). Each month, new welfare to work related studies and evaluations were added to its website; for example, between January and September 2007 53 new research reports were posted.[110]. The UK research community in welfare to work and skills was extensive,

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[110] This contrasts with Human Resources and Social Development Canada, where only one report was published over the same period.

with government researchers maintaining close links with funding bodies such as the Economic and Social Research Council (ESRC) and the Joseph Rowntree Foundation, the main funders of social security research external to government.

The Centre for Economic and Social Inclusion[111] also played a key role. Started as the Unemployment Unit, this long-standing UK-wide organization provides advocacy, advice, research and consultancy on welfare to work, learning, skills and workforce development issues. It offers over 50 events every year, from training courses to major conventions of over 1000 delegates. In March of 2007 they launched Welfare to Work Scotland, a new annual convention focused on the uniqueness of Scotland's labour market, employability and anti-poverty policies. These events provide an opportunity for policy makers and practice experts to meet face-to-face on a regular basis, and facilitates informal interaction between UK and Scottish Executive Ministers, civil servants and stakeholders external to government.

The Influence of External Actors on the UK Government

On a UK-wide basis, there were two House of Commons committees (the Education and Skills Committee and the Work and Pensions Committee) whose public proceedings routinely heard submissions on government legislation and held inquiries into welfare to work and skills issues. There were also a number of formal advisory committees[112] that operated during the period of this research to provide UK Ministers with policy advice. The National Employment Panel was a Department for Work and Pensions managed but employer-led body that focused on the performance of the UK Government's labour market policies. The Skills Alliance was a UK-wide partnership that brought together key economic and delivery partners under the leadership of UK Ministers. The Social Security Advisory Committee provided advice on social security issues. The Disability Employment Advisory Committee examined employment issues for disabled people.

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[111] Details are available at http://www.cesi.org.uk/site/aboutus.asp.
[112] Each committee has a website explaining its remit and activities:
http://www.nationalemploymentpanel.gov.uk/;
http://www.dfes.gov.uk/skillsstrategy/index.cfm?fuseaction=content.view&CategoryID=7;
http://www.ssac.org.uk/; http://www.deac.org.uk/;

All of these advisory groups provided advice on UK-wide policy, and there was no indication either through an examination of their documents nor the interviews conducted through this research that their policies or practices had changed since devolution. As in the past, the UK Government made appointments to try to ensure an equitable territorial mix and Scotland was normally represented. However, in the view of one stakeholder, deliberations and discussions, post-devolution, showed little appreciation for the fact that many of the issues being examined were, in fact, under devolved competence (interview with stakeholder March 10, 2005). On the other hand, the 25 Sector Skills Councils under the coordination of the Sector Skills Development Agency were explicitly mandated to take Scottish and Welsh concerns into account.

The Influence of External Actors on the Scottish Executive

The establishment of the Scottish Parliament as the locus for decision-making in devolved areas provided a new institution for Scottish social partners to relate to. Issues relating to welfare to work and skills were considered by the Scottish Parliament's Enterprise and Culture Committee and the Communities Committee. The Scottish Welfare to Work Advisory Task Force has already been mentioned, but wrapped up in March 2005. After devolution, Scotland also set up the Scottish Social Inclusion Network but over time it too was disbanded. In the opinion of a poverty advocate, it got the reputation of being a 'talking shop', taking a lot of civil service time and effort, with no tangible results (interview November 14, 2005). Instead the Scottish Executive substituted ongoing advisory committees with short lived task groups focused on specific issues. During the period of this research there was the Scottish Executive Disability Working Group[113], as well as task groups led by members of civil society who developed Workforce Plus (2006b). In Scott's view, the direct involvement of social partners in this kind of work demonstrated the Scottish Executive's integrated thinking on social and labour market issues (2006, p.

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[113] Details were available at http://www.scotland.gov.uk/Topics/People/Equality/disability/dwg.

676). In 2006, the Scottish Executive also established a statutory Skills Committee[114] under the Scottish Funding Council (SFC 2006).

There were also ongoing institutional structures to coordinate and plan welfare to work activity at a local level in Scotland. Here, the most significant driver was local authority initiative and the perception of local need, often funded by the European Union. In 2003 the Welfare to Work Forum was established in Glasgow under the leadership of Jobcentre Plus and the city (interview with JC+ official March 16, 2005). In Edinburgh, Joined up for Jobs was established in 2002, under the Capital City Partnership (interview with stakeholder April 25, 2005). In the rest of Scotland, similar work was coordinated through Community Planning Partnerships which were established by the Scottish Parliament in 2003. Post-devolution, the activities of all of these organizations came together on a geographic basis with accountability through the Scottish Executive. Legislative oversight and legitimacy came through the Scottish Parliament.

The Influence of External Actors on Officials in the North East Region of England

This contrasts with the English regions, where there was no legislative oversight. Instead, an assortment of non-departmental public bodies operated, with Boards of Governors accountable to various UK Ministers. For example, in the North East Region alone the number of quasi-autonomous government bodies operating was estimated at 176 (Robinson and Shaw, 2001). Many central government departments retained direct control of their activities in the regions through these bodies, including Jobcentre Plus. Some organizations (e.g., the Learning and Skills Councils which reported to the Department for Education and Skills) had a regional and sub-regional structure. A significant number of labour market functions in the UK were managed by local authorities (single-tiered and two-tiered), with program parameters decided by central Whitehall departments. At a recent parliamentary hearing in London, the actors involved in the English skills system were described as follows:

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[114] Details were available at
http://www.sfc.ac.uk/about/new_about_council_papers/about_papers_10nov05/paper_sfc0526.pdf.

It is true that one has the Learning and Skills Councils, the Regional Development Authority, the Regional Skills Partner and Jobcentre Plus, but in addition there is, with lots of different boundaries, a list of other organizations that take an interest in working with employers on skills. One has Fair Cities, City Strategy Pathfinders, core city skills and employment boards, adult learning option pilots and local strategic partners...If you are an employer out there the complexity is immense. We must tidy up the system [115].

This assessment of the influence of external actors on labour market policy in the UK has only considered the domestic situation. The final section of this chapter considers an additional dimension and complexity in relation to UK policy making in the labour market; that is, the impact and influence of the European Union.

The Influence of Europe

The European Union is an important influence on most elements of UK policy making, and labour market policy is no exception. There were three separate but increasingly related policy strands relevant to this research: the European Social Fund, the European Employment Strategy, and Social Inclusion. For over 40 years the European Social Fund has invested, along with member states, in programs to develop people's skills and their potential for work. European funding was available to help regions, particularly those lagging behind, to upgrade and modernize the skills of their workforce. For Scotland, this funding has been significant, with over £1 billion allocated for the period 2000 to 2006 (interview with SE official December 2, 2005). In 1997, a new employment chapter was included in the Amsterdam Treaty and the European Employment Strategy (EES) was developed to help solve member countries' employment problems. This consisted of the development of European guidelines on employment, an annual joint report, national action plans by individual member states to implement the guidelines, and a system of benchmarking, reporting, monitoring, assessment, peer review, and dissemination. This process is known as the Open Method of Coordination (Goetschy 2003, de la Porte 2004, Radaelli 2004). There was also a European Strategy on Social Inclusion, with

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[115] Oral evidence taken from Linda Florance, chief executive of Skillfast-UK, before the UK Education and Skills Parliamentary Committee May 14, 2007.

national action plans developed by each member state to help achieve the overall EU long-term goal that there should be a decisive impact on the eradication of poverty by 2010 (HM Treasury 2005, 2006).

European-based employment and social policies were integrated with macroeconomic and microeconomic policies into the Lisbon Strategy for Jobs and Growth, an integrated approach to the key challenges facing the EU as a whole. UK actions against this agenda were outlined in a single document called the UK National Reform Programme (HM Treasury 2005, updated 2006). Chapter Three's 'Increasing/Delivering Employment Opportunity for All' contained detailed references to UK Government commitments to welfare and skills reform within a European Union context. Whitehall officials interviewed through this research saw employment policy as the 'heart' of Lisbon. In their view, it was the key way to move member state policies so that Europe could become the most competitive trading block in the world (interview December 12, 2005).

These initiatives exposed Scotland to European influences, imported new ways of thinking, and created a European consciousness (Keating 2005, p. 155). Post-devolution, the Scottish Executive developed an extensive European strategy:

> *Over three-quarters of the work of the Scottish Executive and the Scottish Parliament is, to a greater or lesser extent, influenced by decisions taken in Brussels. So we must continue to ensure that EU decision-making reflects Scotland's interests (SE 2004b).*

A question consistently asked through this research was whether the Scottish Executive and Parliament influenced UK input into European policy making in areas of devolved competence and how their input was provided.

As already identified, from a constitutional perspective anything relating to European matters is reserved to the UK Government. Nevertheless, from an examination of UK documents focused on their participation in the European Union and the interviews conducted through this research, it was clear that there were extensive consultative processes between the UK Government and the devolved administrations over European Union matters. When UK national action plans on employment or social

inclusion were developed, drafts were sent to the devolved administrations for their comments and input on the same basis as other UK Government departments, rather than the social partners (interview with Whitehall official December 12, 2005). When these requests were received, Scottish Executive officials reviewed the UK draft and assessed how their initiatives contributed to the overall UK approach and suggested Scottish-based examples that could be incorporated into the UK text. In Keating's view (2005, p. 132) the Scottish Executive has generally taken a cooperative line in European matters, seeking to exercise influence behind the scenes by being an active player in the Whitehall networks.

Given the importance of European matters, Scottish Executive responses required the approval of Scottish Ministers and were also sent to the Scottish Parliament's European and External Relations Committee before finalization (interview with SE official December 2, 2005). What was noteworthy, however, was that this involved reporting, information sharing and consultation, not policy making. In the view of a Scottish Executive official, Scottish Enterprise was probably one of the Scottish Executive departments with the least contact on European issues, as in this subject matter European influences were felt to be minor (interview December 2, 2005). He was not aware of JMC Europe dealing with any of their issues, other than the working time directive. To him, JMC Europe provided an intergovernmental forum to deal with European *regulatory* issues that impacted the devolved administrations; for example, discussions relating to the European Social Fund were handled through another process. In the view of a Whitehall official, the devolved administrations had no role in shaping UK input into EU policy. JMC Europe was used primarily for strategy development and determining how to *implement* European policies across the UK, not for identifying UK directions (interview December 12, 2005).

Another key question asked was to what degree EU policy making and directions influenced UK policies and the policy making process. In Ardy's view (2004) the impact of the European Employment Strategy on national decision-making in the UK has been low; as well there has been no real impact on the media debate or national political deliberation, and no change in national employment policies. Officials

interviewed would agree with this assessment. Whitehall officials saw the UK Government as the driver of European employment policy, not the other way around. They have initiated extensive EU processes with other member states and invested considerable time and effort in this exercise as, in their view, the UK needs Europe to be successful and the European Employment Strategy is the key tool. UK officials and Ministers also wished to ensure that EU policy had a 'light touch' and did not intrude on UK policy as otherwise the European Commission tended to over-regulate. They could see nothing that changed in UK policies, behavior or directions coming out of the EU except for processes to recognize professional qualifications[116] (two separate interviews with Whitehall officials December 12, 2005). A community representative saw the UK National Reform Programme (2006) as a response that merely compiled what the UK Government was going to do anyways, and did not feel that it moved the UK policy framework at all (interview April 25, 2005).

On the other hand, without the consultation requirements arising from the European Union, UK policy making would not have been as inclusive; for example, UK Ministers were pleased with the civil society input that they had feared would be more confrontational (interview with Whitehall official December 12, 2005). EU processes provided opportunities for industry and the social partners to come together with Whitehall and Scottish Executive officials in a single forum to exchange views on Scottish and UK-wide policy, as well as EU policy. Some opportunities were one-of-a-kind, like the 2005 round table on poverty and social exclusion and the UK Skills Summit (both held as a result of the UK European presidency). Others were ongoing: for example, each year Employment Week brings together experts, policy professionals, and stakeholders from across Europe to share best practices and network on employment issues. The Social Policy Task Force was an ongoing committee that provided UK poverty advocates with a process for input into the UK National Action Plan on Social Inclusion (DWP 2006c). In the view of a poverty advocate, this UK-wide task force provided a "receptive institutional context" for regular dialogue with government officials on anti-poverty policy

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[116] In Canada this is referred to as labour mobility. Foreign credential recognition is also related.

(interview November 14, 2005). For advocacy groups, an ongoing process like this carried a significant advantage over short-lived task groups.

Synthesis

As has been demonstrated through this analysis, during the period of this research, UK civil servants interacted within an extremely rich network of external actors interested in UK labour market policy issues, ranging from dedicated industry and civil society advisory committees to provide advice, to parliamentary committees that received this advice, to national, local, and regional program and service delivery networks. They also interacted within a rich network of European actors, as well as EU processes that provided structured mechanisms for connections between the two governments in terms of initiating and reviewing documents that presented a unified UK position to Europe. These EU processes also provided a forum for both governments to hear and consider the views of relevant industry and social partners.

Given these findings on the extensive role of actors external to government, questions could be raised about the earlier supposition in this thesis about the executive dominance of intergovernmental relations in the United Kingdom. This issue will be revisited in the concluding chapter of this thesis, in relation to the comparison between Canada and the United Kingdom in this policy area.

Conclusion

A number of factors impacting the intergovernmental relationship in labour market policy in the UK emerge from this chapter. Since its election in 1997, labour market policies have become one of Labour's flagship policy initiatives, demanding a considerable amount of UK Ministerial time, attention and focus. Dealing with worklessness and Incapacity Benefit reform were highly sensitive political issues that determined overall government success or failure. No philosophical differences between the UK Government and the devolved administrations on the overall thrust of reform, nor on the strategies to be employed, were identified through this research. The UK Government remained in charge of most welfare to work policy instruments

through its reserved roles in social security and employment as administered through Jobcentre Plus across Great Britain (including Scotland). Although skills policy was considered devolved, the devolved administrations were generally supportive of overall UK directions, and no disputes had arisen over jurisdiction, funding, or overall direction. Despite considerable efforts put into the development of more formal intergovernmental machinery through concordats, agreements, and protocols, informal positive relationships between civil servants as well as Ministers dominated.

How can this be explained? The first reason is that constitutionally most of the policy issues being examined through this research remained under the control of the UK Government, with the devolved administrations acknowledging that they were in a supporting as opposed to a leading role. Historically, labour market policy was controlled centrally, and limited differences have emerged, post-devolution.

Second, when issues did arise they were easily accommodated through political party or civil service channels. This was the way that business had always been done in the UK, and with the same party in charge in both the Scottish and Westminster Parliaments during the period of this research there was no need to change the 'path dependent' direction that had served admirably in the past. The interests, values, expectations and experiences of intergovernmental actors were also significantly aligned. With the growing capacity of the Scottish Executive to take on policy development through additional staffing resources and the legitimacy of a Parliament to provide direction, their increased desire for engagement was welcomed by the UK Government officials.

Given the rich network of external actors involved in labour market policy in the UK, there were numerous opportunities for governments (both executives as well as politicians) to engage with each other, as well as with external actors such as industry, stakeholders, experts, and civil society. The European Union expanded this engagement beyond the UK borders to also include other countries in Europe. Connections such as these provided informal opportunities to facilitate common understanding and promote collaboration and accommodation.

As identified in the opening quote in this chapter, the analysis just undertaken seems to question the degree to which the people of Scotland desire "a degree of government for themselves" in relation to labour market policy. The exploration continues in the next chapter through an examination of the power relationship dynamic between governments in the UK, and the impact that this has had on the character and workability of intergovernmental relations in labour market policy.

CHAPTER 7: EXPLAINING INTERGOVERNMENTAL RELATIONS IN THE UNITED KINGDOM

> *...the Review Team has assessed the Scottish Executive against our own high aspirations. In presenting their findings to us, the Team explicitly recognized that the journey we are on (and on which we have made considerable progress) is one of evolution from the pre devolution inheritance of a single Government Department into a fully integrated Government (Elvidge 2006, p.2)*[117].

This chapter turns to the final component of the UK case study—that is, an examination of the power relationship dynamic between governments in the UK, and the character and workability of intergovernmental relations in labour market policy. Unlike the Canadian case study, where there was evidence of continuing conflict in the policy domain, in the early days of devolution more harmonious relationships prevailed in the UK, especially around the division of powers, an acceptance of central government dominance over the policy domain, and recognition of the need for a UK-wide approach. Any differences were smoothed out on a bilateral basis through informal civil service and political channels. Connections between intergovernmental actors were significantly enhanced by the relationships they had with external actors who delivered labour market programs, as well as those who provided advice through advisory committees and task forces. Many of these processes were put in place to manage UK relations around employment policy with the European Union.

The key purpose of this chapter is to explain these outcomes through a detailed examination of the power relationship dynamic between the UK Government and the Scottish Executive. Using the analytical framework as outlined in Chapter Two and following the same approach as the Canadian case study in Chapter Five, this dynamic is assessed using three inter-related concepts: hierarchy, interdependence, and the operation of the intergovernmental machinery. These are examined from the point of view of officials at the centre, from the Scottish Executive, and then

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[117] John Elvidge became Permanent Secretary to the Scottish Executive in 2003, and was still in this position into 2007.

compared. Relationships between the centre and the North East region of England are also examined, highlighting the asymmetry of devolution in the United Kingdom.

The chapter then assesses the character and workability of the UK Government-Scottish Executive relationship in labour market policy according to the criteria outlined in pages 60-65 of this thesis. Since there were no multilateral relationships in the UK in this policy area during the period of this research, only bilateral relationships are considered. Relationships were characterized as cooperative, collaborative, competitive, or coercive. The workability of the relationship was assessed as high, medium, or low dependent primarily upon the degree to which trust ties were evident between senior officials. Most of this information was drawn from the interviews conducted for this research, and transcripts were reviewed for evidence of shared goals and objectives, routinized and regular engagement, stability among the key players, geographic proximity, honesty in terms of information sharing, willingness to engage, capacity to engage and autonomy to decide, leadership in the development of processes to work through differences, choosing a narrow enough agenda where issues can be delimited, and seeking agendas that showed promise of early success. The interview data was also combed for evidence of the presence or absence of mutual respect, civility and tolerance, predictability, fairness, a positive history, an ability to minimize past grievances, recognition of mutual interdependence, and shared professional training and norms.

As different actors and processes were involved in different dimensions of the policy domain, a number of relationships were examined. In Canada the work was organized according to which multilateral forum dealt with the issue. With no multilateral forums in the UK, instead relationships were segmented by UK central department responsibility. Three categories—welfare to work policy, skills policy, and immigration policy—are identified and separate assessments made.

Power Relationship Dynamic

The degree of power that one government has over another is influenced by the hierarchy in the relationship (who is in charge, the freedom to act, and the instruments used to control), the degree to which governments are interdependent (the need they have to exchange resources—for example money, information, authority, political support, information, organization, skills, and expertise) and the operation of the intergovernmental machinery (institutional structures, bilateral vs. multilateral, access by actors external to government). As in the Canadian case study, the views of each partner in the relationship on these three dimensions are recounted and then compared.

View from the Centre

<u>Hierarchy</u>

Assessing hierarchy in the relationship and the degree to which this had changed with devolution was carried out by examining selected government documents and by seeking the views of civil servants and external stakeholders.

As identified in Chapter Six, after its election in 1997, welfare to work became a flagship policy of the Labour Party, and, over the period of this research, merged into workforce development with the addition of a robust national skills agenda. Decisions on the overall parameters of welfare reform took place at the highest levels of government, involving politicians and civil servants from HM Treasury, the Department for Work and Pensions (DWP), the Department for Education and Skills (DfES), the Department for Industry and Trade (DFI), the Office of the Deputy Prime Minister, and the Prime Minister's Strategy Unit. UK Government directions were influenced by advisory councils and task groups such as the National Employment Panel and the National Skills Alliance that operated on a UK-wide basis. They found their way into green papers, white papers, strategy documents and legislation.

From the perspective of Scottish Executive and Whitehall civil servants interviewed through this research (April 21 and 15, December 6 and 8, 2005), the Department for Work and Pensions had the authority to make policy in any area relating to welfare to work, as anything it did to achieve its objectives was for a reserved purpose. No one interviewed through this research questioned this authority, even though these UK-wide policies obliging people on benefits to access training, health, child care and addictions counseling imposed demands and directions on devolved services. DWP clearly acknowledged that implementation would need to be different in Scotland and Wales, as each respective administration had responsibility for funding and delivery of support services. For example, Building on the New Deal (DWP 2004, p. 33) identified that the Department for Work and Pensions would need to:

> *…work with colleagues in Scotland and Wales and their partner organizations to establish the implications for each devolved administration and to plan for implementation, in order to achieve our policy objectives.*

Clearly these were UK set policy objectives (not Scottish) and the devolved administrations were seen as having a role in *implementing* UK-wide policy. DWP officials expected their policies to be implemented by their executive agency, Jobcentre Plus, through partnership arrangements with the nine English regions and the two countries Scotland and Wales. Although it was acknowledged that these partnership arrangements could vary (given the different actors and institutional structures in each nation), in essence the strategy was expected to be the same across the UK (interview with Whitehall official February 8, 2005).

The Department for Education and Skills had a much more nuanced task as all aspects of skills except sector councils and qualifications were considered as devolved. The white paper Skills: Getting on in Business, Getting on at Work (DfES 2005) set out 'the Government's plans' to make the UK a world leader in skills but it was not until Point 26 on page 10 in the Overview Document that the statement was made:

> *The Skills Strategy is primarily a strategy for England, reflecting the devolution of responsibility for education and training to Scotland, Wales and Northern Ireland. Each has developed its own strategy for skills and lifelong learning. However, some elements of this Strategy have implications for the Devolved Administrations, notably the work of the Sector Skills Councils*

(which have a UK-wide remit) and the Sector Skills Agreements (DfES 2005, p. 10).

This divided responsibility was clearer in the separate part two document which was 'the technical explanation and how it will be implemented' where a footnote appeared on the bottom of the first page. When questioned as to why the paper was not identified as an 'English' Skills Strategy, given that it really only applied to England, officials explained that "things are not branded that way and this point is hardly mentioned as the sector/audience are familiar with this being a devolved competence" (interview with Whitehall official December 12, 2005).

Improving the Life Chances of Disabled People (PMSU 2005) was developed by the Prime Minister's Strategy Unit in cooperation with the Office of the Deputy Prime Minister, the Department for Work and Pensions, the Department of Health, and the Department for Education and Skills. This far-reaching strategy was intended to bring disabled people in the UK into the 'opportunity society' and touched on many devolved areas such as advice services, direct supports, health, childcare, early education, work focused training and in work supports. There were no references at all to devolved responsibilities in the executive summary; however in the full report there was a statement early on that:

> *The report has been accepted by the UK Government and there is a commitment to implement the project's recommendations in England and, where appropriate, across the UK...the devolved administrations may wish to consider if the actions identified are appropriate for them and, if so, how to take them forward. More work will be needed to identify the implications of some of the proposals within the devolution context (PMSU 2005, p. 23).*

From a review of these three documents and discussions with civil servants at the centre, responsibility for strategic policy making in the UK remained a Westminster/Whitehall role, even in areas of devolved competence. For England there was no other alternative, but when applied to the devolved administrations it set up a clear hierarchical relationship. Whitehall officials said that they tried to be sensitive and careful to make sure that what was written did not cross anything that was a devolved responsibility, and that there were processes in place for civil servants from the devolved administrations to review drafts of documents and

provide comments (interview with Whitehall official December 12, 2005). There was no sense from any of those interviewed at the centre that comments from the devolved administrations changed any directions; however words may have been nuanced to reflect Scottish sensitivities.

The only real change to central policy making in welfare to work and skills since devolution was in ensuring the inclusion and appropriate wording of a short footnote or statement in government documents which identified that some issues might be handled differently in the devolved administrations. It was often hard to find and easy to miss. None of the documents examined provided any details on how policies or implementation would be different in Scotland, Wales or Northern Ireland, leaving an impression that the policy directions outlined applied equally across the UK. The practice by the UK Government of minimizing or virtually ignoring the territorial dimension of policy making, post-devolution, has led to both citizen and media confusion about the role and powers of the devolved administrations (interview with SE officials April 15 and 21, 2005).

Civil servants at the centre were not concerned over this practice as they did not perceive that the devolved administrations disagreed with overall UK policy directions. In their view, the devolved administrations had developed directions that were similar to UK-wide policy, and, in any case, these UK-wide directions were "good for the devolved administrations" (interview with Whitehall official December 6, 2005).

Particularly with regard to policies coming from the Department for Work and Pensions, Westminster/Whitehall made the rules. In the view of a Jobcentre Plus official, DWP and Jobcentre Plus had strict Treasury wide targets to achieve and would not be distracted from achieving them by partnership working with the devolved administrations (interview April 22, 2005). The way to manage the relationship around the targets was to ensure that they were clearly visible to everyone down to the district office level by being published on the internet, and communicated early enough so they could be incorporated into Scottish Executive

targets (interview with JC+ December 16, 2005). All officials interviewed with both the Department for Work and Pensions and Jobcentre Plus welcomed the initiative being taken through the Scottish Workforce Plus (SE 2006b), and were pleased to see that Closing the Opportunity Gap explicitly committed the Scottish Executive to reducing DWP caseloads. Scottish Executive initiative in this area was also welcomed given cutbacks in Jobcentre Plus offices.

On skills issues there was not the same notion of hierarchy: for the Department for Education and Skills the focus was on achieving targets in the English regions and its main interaction with Scotland was in incorporating Scottish activities into EU initiatives. There were no formal accountability arrangements for ensuring that the Scottish Executive took actions that supported the overall UK skills strategy, as the Scottish Executive was not subject to the public service agreements used by HM Treasury in the rest of the UK. Except from a European perspective, there were no reporting requirements to the UK Government from the Scottish Executive (interview with Whitehall official December 12, 2005). Instead data was collected on a UK-wide basis, and Scottish performance was included (as had always been done), within the context of performance across the whole of the United Kingdom. However, if the media wished to query Scottish results in a UK-based report, these inquiries were directed to Scottish (not UK) Ministers (interview with Whitehall official December 6, 2005).

This exploration of UK policy documents and interviews with civil servants at the centre provides clear evidence of the continued dominance of the UK Government in policy making and reporting, even in areas where competence has been devolved. Although Whitehall officials saw the impact of devolution in policy implementation, they did not perceive that this also meant a different approach to developing policy or reporting on outcomes, which in their view remained a UK Government prerogative.

There are many explanations for this. Under the devolution settlement, Westminster was still in charge. In welfare to work policy, DWP controlled the public

employment service across the UK, and anything they needed to do to achieve their objectives was viewed as reserved. Although skills policy was considered devolved, Whitehall still made policy for England and since some skills issues (e.g., sector councils and qualifications) were reserved, it was hard to disentangle devolved and reserved competence. Many strategic issues were expressed in a European context where competence remained reserved. In addition, many Whitehall officials did not perceive any divergence between UK-wide and devolved directions. For Whitehall officials, although devolution had made things more complicated, they were still in charge.

Interdependence

Even if the devolved administrations did not have a role to play in strategic policy formulation, it was clearly acknowledged that there was a significant degree of interdependence in policy implementation and coordination, and that many UK-wide objectives could not be achieved without the assistance of the devolved administrations. However, this varied from one issue area to another.

Officials with the Department for Work and Pensions clearly acknowledged that their welfare to work objectives in Scotland could not be achieved without the active consent and involvement of the Scottish Executive. From its perspective, the relationship was one of mutual dependence. The concordat between DWP and the Scottish Executive and the supplementary working level agreement acknowledged that:

> *DWP and the Scottish Executive are dependent upon each other's services... to deliver their respective responsibilities...the coordination and implementation of policy in this area is necessary if the programs of the UK Government and the Scottish Executive are to be delivered effectively and coherence of provision for people not in work is to be ensured (DWP and Scottish Executive 2004).*

Not only did the Scottish Executive control training through the Enterprise Networks, they were also responsible for the variety of support services needed by people with significant barriers to employment (e.g., drug addiction services, money

services, supports for prostitutes and the homeless, condition management services, motivational courses, careers services for young people, housing and regeneration) through Communities Scotland, local authorities or health authorities. In addition, Scottish Executive Agencies, local authorities and health authorities employed hundreds of thousands of people and Jobcentre Plus wanted to ensure that they were the recruiter of choice (interview with JC+ official April 28, 2005). This interdependence was reflected in the Department for Work and Pensions active collaboration and assignment of staff to work on Workforce Plus (SE 2006b) and in both DWP and Jobcentre Plus membership on the Welfare to Work Planning Group. It was also evident from the working level agreement between the two governments and a Partnership Accord with Scottish local authorities, who reported to the Scottish Executive.

Chapter Two highlighted the exchange of resources as the key dimension impacting interdependence. DWP and Jobcentre Plus were seeking the following resources from the Scottish Executive: overall political support for their policies; the skills, expertise, and organizational capacity of Scottish Executive officials, including the legitimacy they held to direct their agents to cooperate with DWP; and the funding they controlled to provide training and other support services to persons dependent upon DWP benefits. The Scottish Executive also had labour market information sources of use to DWP and, as one of the largest employers in Scotland, the capacity to make job vacancies available to people on benefits (interview with Whitehall official December 6, 2005). Given its constrained mandate, DWP lacked the legitimacy to provide or purchase the services it needed to fulfill its objectives and, in Scotland, had to secure the cooperation of Scottish Executive officials.

With respect to skills issues, there was not the same sense of interdependence or a need to exchange resources in order to achieve objectives, instead the view from the Department for Education and Skills was one of parallel management, almost one of mutual independence. For DfES the prime purpose of the relationship was information sharing; there was no reason for the Scottish Executive to implement its policies and little attempt was made to even coordinate action (interview with

Whitehall official December 12, 2005). There were separate but unrelated advisory bodies (the National Skills Alliance in the UK and the Skills Committee in Scotland), and no ongoing working group of officials. The overarching protocol between the Department for Education and Skills and the Scottish Executive focused primarily on communication and consultation and had not been updated or refined since it had been put in place shortly after devolution. However, when interdependence impacted Scottish policy making and Scottish partners beyond the Scottish Executive, a more focused written agreement was developed and implemented, for example, with the UK-wide Sector Skills Development Agency (interview with SE official April 15, 2005).

An area where there was a high degree of interdependence in both policy areas was with respect to European Union matters. There were extensive processes within the UK involving the devolved administrations, other government departments and civil society partners to develop UK-wide national action plans, report on outcomes, and feed these into the overall European process (interview with SE official April 21, 2005). This involved drafting documents, sending them to the devolved administrations for comments, integrating their views, and placing devolved examples into the UK-wide text.

IGR Structures and Machinery

Using the words set out in the Memorandum of Understanding supplemented by policy specific concordats and working level agreements as context and direction, the interaction between the Scottish Executive and UK departments working on the range of welfare to work and skills issues was primarily handled on a day-to-day basis through informal working relationships between officials. This was supplemented by informal, ad hoc Ministers' meetings and conversations where it was felt that there was an issue and a need to connect. Generally it was left up to officials working with both governments to identify where they needed to connect and communicate items that might have an impact on each other, or where joint working would be positive. This communication was based on goodwill, trust, an

enthusiasm and knowledge of devolution, and the presence of positive interpersonal relationships. It was also trusting in the Scotland Office to share documents and facilitate the process where necessary. However, a Scotland Office official acknowledged problems with this approach:

> *Devolution has created so much more work...we have gone from a Westminster sovereign Parliament to devolution settlements in Scotland, Wales and Northern Ireland that are all different...you can easily understand why some Whitehall departments really get confused about what they can do in which particular area. The main issue is staff turnover and churn, there are new staff coming into Whitehall departments that haven't had experience with devolution...and there is such complexity, there is murkiness in terms of competence in different subject matters, different settlements in different territories, and then with staff turnover it can make things very difficult (interview December 8, 2005).*

For the Department for Work and Pensions a key assist to managing relationships in Scotland was the presence of approximately 13,000 Jobcentre Plus staff working throughout Scotland and staffing resources available for coordination through a Scottish national office. The Welfare to Work Planning Group meetings were the primary institutional mechanism at the Scottish level for managing the relationship, and the Community Planning Partnerships and special organizational arrangements in Glasgow and Edinburgh performed a similar role at the local level.

The Department for Education and Skills had no staff located in Scotland; as a result all interactions were through phone, letter, and e-mail, with meetings arranged as necessary. However, all devolved administrations and the centre connected face-to-face on skills issues through quarterly meetings held with the Sector Skills Development Agency. Here, the focus was not on broadly based skills issues, but on interactions with the Sector Skills Councils.

A question that was consistently asked through this research was how the relationship between the UK Government and the Scottish Executive could be characterized: Was it intergovernmental, interdepartmental or inter-institutional? Most Whitehall officials felt uncomfortable with the term 'intergovernmental'; one stated that in her view there was only one 'government' in the UK, despite the Scottish Executive's considering itself the 'devolved government for Scotland'

(interview December 8, 2005). Upon reflection, many Whitehall officials acknowledged that interactions between civil servants were more 'interdepartmental' than intergovernmental, with central departments expected to liaise with the Scottish Executive in the same way as with other UK departments. Some suggested that once Ministers became involved the relationship became intergovernmental, as then it had a political dimension. During the period of this research, Whitehall civil servants did not question the legitimacy of the Scottish Parliament and Scottish Executive to act in areas of devolved competence; however, there seemed to be little reflection or realization that English or UK-wide directions might constrain or push the Scottish Executive or Scottish Parliament to act in ways they might not choose and impact the autonomy promised through devolution.

View from Scotland

Hierarchy

Senior Scottish Executive officials interviewed through this research felt generally powerless to influence UK overall strategic direction, and that they were just one player among many (separate interviews with four officials April 15 and 21, 2005). Not only were UK-wide strategic directions and policies decided at the highest level of government, they were also significantly impacted by factors such as the economic state of the world, inward migration, the European Union, monetary policy, etc. In their view, the best that they could hope for was that UK-wide documents reflected the reality of devolution and were sensitive to Scottish issues.

Overall direction for Scotland's strategic policy agenda during the period of this research was set by the Labour- Liberal Democrat Programme for Government. With respect to welfare to work issues, the Scottish Executive wished to do something about market failure and the 300,000 people in Scotland who were not working but wished to work, and officials concluded that the solution, as in the UK, was to support these people into work (interview April 15, 2005). Its agenda and approach in this policy area just happened to coincide with that of Westminster; in other policy

areas there may be differences. Scottish Executive officials felt that if the economy fell back and Scotland lost employment against England, the only thing they could do was to encourage skills as they did not have other policy levers like inward investment (interviews April 15 and 21, 2005).

Even though Scottish Executive officials acknowledged the overall leadership role of the Department for Work and Pensions on welfare to work issues, there were areas of rub and tension, particularly around Public Service Agreement targets, and the Scottish Executive refused to incorporate them within Closing the Opportunity Gap targets (interview with SE official April 25, 2005). In their view, although many of the directions and targets were shared, this may not hold true into the future. In some areas the Scottish Executive went beyond UK-wide targets, for example in Closing the Opportunity Gap they added a target that related to low-wage, low-skilled work.

Skills policy sat on the cusp of reserved and devolved responsibilities. When the first UK Skills Strategy was developed, in 2003, it contained many sweeping statements about Sector Skills Councils that had not been cleared with Scottish officials or Ministers:

> *Scotland is forgotten because UK officials developing policy think of English needs only, they do not think through the implications of their policies on Scotland, they share information too late, and then get frustrated when they have to work very hard to find solutions acceptable to both sides (interview with SE official April 15, 2005).*

For Scottish Executive officials it had been a major accomplishment to be able to review UK documents as they were developed and ensure that these included some kind of reference or footnote to indicate that directions did not necessarily apply to Scotland or would be implemented differently there. In 2003, DfES officials made a major concession when they agreed to recognize this as a strategy for England, and that policies were different in Scotland and Wales. This did not mean, however, that they were willing to label it as an English Skills Strategy, as it contained reference to policies which were reserved:

> *In reality, it's an English Skills strategy: it's a DfES document and DfES is an English department that does not have authority in Scotland, Wales, and Northern Ireland. But because of Treasury involvement and budget*

references people think of it as a UK strategy. There is lots of confusion. Scotland knows it's an English strategy but it does refer to policies that DWP and Sector Skills Councils implement that are UK-wide (interview with SE official April 15, 2005).

When the Scottish Executive was caught short by a lack of notice on policy changes that impacted them, every effort was made to resolve the issue within the civil service and not involve Ministers:

Yes, there is avoidance behavior as the direction coming from the First Minister's office is that he doesn't want to end up having dust ups with his Westminster counterparts, he wants this to be resolved...he doesn't want to dust up with people from the same party (interview with SE official April 21, 2005)

An inability to resolve things would not be good for the relationship...we would be accused of mismanagement, being stubborn, difficult, and causing a breakdown in the relationship and would be deemed as being unhelpful...everybody wants to be sure that things work, as both governments are Labour right now and there is a commitment to devolution and to the UK as a nation and the commitment is to make things work (interview with SE official April 15, 2005).

These comments highlight the significance of maintaining harmony within the party, even on the part of civil servants. This included letting some issues go and being very careful about the issues chosen to fight. However, as devolution progressed and the Scottish Executive grew in confidence, officials indicated that they were becoming more willing to take on issues that they felt were important (interview December 2, 2005).

An important illustration related to labour market policy occurred when the Scottish Executive challenged UK immigration policies. Concerned over the demographic 'time bomb' of a declining population, the Scottish Executive developed New Scots: Attracting Fresh Talent to Meet the Challenge of Growth (SE 2004c). Not only is immigration reserved (with all policy instruments acknowledged as being in the hands of the UK Government), the Home Office did not feel the same imperatives as Scotland about the need for change. This required a persuasive intergovernmental approach on a number of levels.

In the initial stages the plan hoped to boost Scotland's population by doing three things: retain Scots already in Scotland; encourage expatriated Scots to return; and attract new comers to Scotland. The centerpiece of the plan was to encourage overseas students to stay and work in Scotland with a two-year visa extension and a further application for permanent residency based upon permanent employment, and in this the Scottish Executive succeeded (interview with SE official June 6, 2007). However, correspondence between the Home Office and the Scottish Executive (released under the Freedom of Information Act) [118] demonstrated Whitehall's reluctance to make the broader range of changes in UK policy sought by the Scottish Executive. The Home Office refused to consider proposals to extend rights of members of the Scottish Diaspora to return to Scotland, to lift the UK-wide ban on asylum-seekers being allowed to work in Scotland, and to extend post-study work visas to include Higher National Certificates and Higher National Diplomas. Davis (2007) concluded that the failure to secure agreement on the full range of objectives was due to Scottish Labour's unwillingness to challenge the party strongly and publicly on this issue. In his view, this exposed Scotland's lack of leverage and dependence upon Westminster.

Scottish Executive officials clearly acknowledged that they were the junior partner in the relationship. In welfare to work they tried to influence UK-wide policy through their 'insider status' and extensive contacts with DWP and Jobcentre Plus. In skills, they were reluctant to press for labeling changes to identify that UK documents really only applied in England, pleased that they had at least gained an opportunity to insert appropriate footnotes implying different directions in Scotland. In immigration matters, they pressed only so far to achieve their objectives, unwilling to challenge the political party system to a greater degree to realize their objectives. All of these actions provide clear evidence of a hierarchical relationship and a desire to test the boundaries of devolution only in a step-by-step and cautious fashion. With the exception of immigration matters, there were no issues covered through this research where the Scottish Executive under Labour domination felt compelled to challenge

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[118] Official correspondence from Scottish Executive to Home Office January 29, 2004, and Home Office correspondence April 16, 2004.

the hierarchy embedded in the devolution settlement. Instead, avoidance behavior and accommodation through existing civil service channels prevailed.

Interdependence

With respect to interaction with the Department for Work and Pensions and Jobcentre Plus, Scottish Executive civil servants viewed the relationship as one of mutual dependence. They acknowledged that DWP was in the lead and they were in a supporting and implementing role in providing access to devolved services for people on benefits. Since these were the same people that they wanted to help through Scottish initiatives, there was no disagreement on direction. Spending time trying to sort out jurisdiction as outlined in the Scotland Act and the differences between employment and employability had proven pointless despite meetings soliciting the assistance of legal advisors and experts (interview with SE official December 2, 2005). In the end, the Scottish Executive officials interviewed through this research concluded that employability and welfare to work was 'grey' and responsibility in almost all areas was shared or concurrent.

From the perspective of Scottish Executive officials, they needed to interact with the Department for Work and Pensions and Jobcentre Plus in order to share information; coordinate action; develop policies; implement policies; influence or persuade; challenge action; prevent negative consequences; protect or advance their jurisdiction, and resolve disputes. They were also seeking legitimacy and support for their directions; for example, having the UK Government on board with Scottish Executive policy initiatives such as Closing the Opportunity Gap and Workforce Plus (SE 2006b) made approval and implementation in Scotland much more likely (interview with SE official April 16, 2006).

The relationship with the Department for Education and Skills exhibited more tension. Skills and training were considered devolved responsibilities, and Scottish Executive officials felt that in most areas the Department for Education and Skills had no authority to make policy for them (interviews April 15 and 21, 2005).

However, when the UK Government made policy for England it had significant knock on effects, either by committing the Scottish Executive to do something they would not otherwise choose, or by forcing comparisons with what Scotland was doing. A lack of clarity in identifying whether something was a UK-wide or English policy, did not help the relationship (interview with SE official April 21, 2005). When the UK Government made a policy announcement the media did not take the time to distinguish that this might be an English policy direction and so Scottish Ministers wanted to know how they should respond, how it impacted them and, (if the area was a Scottish policy responsibility), whether what Scotland was doing compared favourably to what England was doing (interview with SE official April 15, 2005).

In skills policy neither Scotland nor the UK Government needed to exchange resources to achieve their respective policy goals. With the exception of the work with the Sector Skills Development Agency, the objectives for this intergovernmental relationship were narrower and confined to information sharing, challenging, influencing or persuading, preventing negative consequences, protecting jurisdiction, resisting action, and resolving disputes. Sometimes Whitehall officials had been told not to tell Scottish officials things in advance for fear that they would leak UK proposals and reduce the chance for a 'big splash' (interview with SE official April 21, 2005).

On immigration matters, the main purpose of the relationship was persuasion. Although pressured by the media in particular to challenge UK policy, the Scottish Executive under Labour control was reluctant. Once they had successfully persuaded the UK Government to make territorial exceptions to accommodate Scottish needs through Fresh Talent, interaction was needed for policy development and implementation. Although the Scottish Executive got some initial flexibility, they would have liked more; as a result approaches continued. Here, there was also a need

for information sharing, as despite immigration being a reserved responsibility, the Scottish public and media expected Scottish politicians to stick up for their needs[119].

As far as Scottish Executive officials were concerned, there was a significant degree of interdependence with the UK Government in all policy areas. In welfare to work the Scottish Executive was primarily in a policy implementation role, using its regular contacts with DWP and Jobcentre Plus to design and adjust Scottish employability supports to achieve Scottish and UK-wide objectives. In skills, information sharing was the key reason for the connection, ensuring that the 'knock on' consequences of UK policy making were identified. In immigration matters the Scottish Executive objective was primarily one of persuasion, seeking adjustments in UK-wide policy making to meet Scottish sensitivities. In general, Scottish Executive officials felt that the best way to manage the relationship was not by being confrontational, but by using the traditional internal civil service methods of accommodation.

IGR Structures and Machinery

All intergovernmental relationships in labour market policy during the period of this research were managed on a bilateral basis. On welfare to work there were relationships within Scotland through Jobcentre Plus as well as Scottish Executive relationships with Department for Work and Pensions officials in London. On skills and immigration issues, the relationship was primarily with Whitehall officials in London in the Department for Education and Skills, and the Home Office.

Almost all Scottish Executive relationships with the Department for Work and Pensions and Jobcentre Plus involved extensive face-to-face encounters, as well as e-mail, telephone and letters. Having Jobcentre Plus physically located in Scotland promoted regular dialogue and information sharing. Scotland was small enough for people to know each other and for key contacts to meet around a table to solve

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[119] During the period of this research, there were high profile issues relating to the death of a Kurdish asylum seeker and the internment of children of asylum seekers. The funding and provision of services to refugees and asylum seekers was another ongoing concern.

problems. In the view of a Scottish Executive official, both Scotland and the UK Government were still learning about devolution and there was a growing maturity on the part of both DWP and the Scottish Executive on how to work together (interview April 21, 2005). Face-to-face connections facilitated this understanding.

The relationship with DfES was more challenging because they did not operate in Scotland. Although a DfES official from the south came north regularly, the main mechanism for contact was telephone calls and e-mail correspondence. This also applied to how relationships were managed with the Home Office around immigration issues. Here telephone and e-mail contacts were supplemented with co-sponsorship of public events held in Scotland, facilitating relationship-building. Scottish Executive officials viewed Fresh Talent as a "notable success in terms of the fact that [the Home Office and Scottish Executive] agreed and implemented a scheme rather than how the scheme was itself working" (SE 2006c). This had taken hard work, time and effort. The greatest problems occurred when there were changes of personnel at both the Ministerial and officials' level (interview with SE official June 6, 2007).

Scottish Executive officials spent a lot of time talking on the phone, exchanging e-mails, writing letters, and meeting face-to-face with their Whitehall colleagues. As the smaller partner, they felt that they needed to make more of an effort to build these interpersonal relationships. They regularly explained to Whitehall officials how Scotland was different, how Scottish policy was made, and that UK-wide policy in many areas needed to take account of devolution (interview with SE official April 15, 2005). They also recognized that Scottish Executive policies also impacted English policy making, and that there had been times when they did not share their policy directions, negatively impacting the UK Government with respect to English policy.

Most of these ongoing connections between officials were at the Head of Group level and below; there rarely were meetings between Permanent Secretaries. At the Ministers' level there were attempts to have the Scottish Deputy Minister meet

quarterly with his respective UK colleagues; however this in effect meant meetings with three UK Ministers and schedules were hard to coordinate. Coalition government provided some interesting cross party interface during the period of this research as a former Scottish Minister of Enterprise, Transport and Lifelong Learning was a Liberal Democrat and met regularly with his UK Labour colleague on common policy issues. An official observed tension relating to party political issues "when Labour and the Lib Dems are knocking seven bells out of each other at a UK level while at the same time in Scotland a Lib Dem Minister is flanked by his Labour Deputy Minister defending Scottish Executive policy" (interview with SE official April 21, 2005). An official from the Scottish Executive UK Relations team commented that Westminster politicians were not always aware of the impact of coalition government in Scotland, and sometimes needed to be reminded that a Scottish Liberal Democrat Minister was as important as one from the Labour Party (interview March 4, 2005).

When asked to characterize the relationship with the UK Government most Scottish Executive officials described it as intergovernmental. They saw the political dynamics of the relationship much more clearly than their UK colleagues as they worked day-to-day with Scottish politicians. On the other hand, they assumed that most of their UK colleagues considered the relationship as interdepartmental, and when they were working day-to-day with their UK colleagues it felt very much like an interdepartmental relationship.

View from the North East Region of England

Identifying power-relationship dynamics in the English regions was difficult in the absence of an identifiable single sub-state structure. No English Region had an administrative structure like the pre-devolution Scottish Office that had played a leadership role in co-ordination, let alone a political structure equivalent to the Scottish Parliament. Instead there were a number of government departments, regional institutions, executive agencies, non-departmental public bodies, and local

authorities interacting with their parent Whitehall Departments, as well as with a wide variety of non-government structures and organizations.

There were no hierarchical arrangements horizontally between these organizations at the regional level; instead, the hierarchy occurred vertically between each individual department and agency as they reported to their parent organizations in London. Although the Government Offices in the regions were responsible for the mechanics of transferring funds to the Regional Development Agencies and submitting confidential reports to the Department of Trade and Industry on their performance, the Regional Development Agencies were accountable to DTI Ministers (interview with academic December 7, 2005). Even the Government Office role as 'ringmaster' was hampered as decentralization was applied in different ways in different policy arenas and in the context of different regional institutional inheritances (Pearce and Sayres, 2006).

There was significant interdependence between each regional or local entity and its parent department, as the entity's explicit role was to deliver national policies. With the UK focus on joined-up thinking, there was no shortage of centrally determined processes to manage interdepartmental and interagency cooperation at a regional as well as a local level. Although congruence was expected among all players at the regional level, some questioned the success of these processes, with departments still operating in silos as separate sets of targets gave rise to considerable problems with coordination (Pearce and Sayers 2006).

Ultimately it was impossible to assess the power relationship dynamic between the UK Government and the North East Region of England through this research as, without a regional government, the region as a collective had no power. In the absence of directly elected regional governments, each Whitehall department relationship with their respective regional arm was clearly hierarchical. There was a high degree of interdependence as the regions and local areas were charged with program implementation, while policy determination took place at the centre. Although horizontal processes to manage these relationships appeared somewhat

similar to those used by the Scottish Executive, without the legitimacy of a Parliament they were fundamentally different.

Synthesis

What was notable about the views of officials at the centre and with the Scottish Executive with regard to the power relationship dynamic were the similarities. Both acknowledged that, despite devolution, the UK Government remained in control, particularly with respect to welfare to work and immigration issues. Although skills was considered devolved, the asymmetrical nature of the settlement made it very difficult to sort out jurisdiction, and officials found that the best way forward was not to fight over who did what, but to ensure that communication lines remained open. The interdependence in the relationship across all policy areas was acknowledged, and officials from both levels of government seemed comfortable with using the directions outlined in the Memorandum of Understanding and concordats to stay in touch on an informal bilateral basis to ensure 'no surprises'.

Most relationship-building was undertaken by the Scottish Executive, who as the smaller partner, had more at stake in being recognized as a separate level of government and in ensuring devolution was a success. There were no concerns expressed by officials from either the Scottish Executive or Whitehall with regards to any inadequacy in the operation of the intergovernmental machinery. There seemed little interest in establishing multilateral links between the centre and all of the devolved administrations.

What accounts for this behavior? For UK Government officials central control, the need for overarching UK-wide policy direction, and considering local (and now sub-state) governments as being subordinate was the way the UK had always been governed. In this policy area, with the exception of Jobcentre Plus officials living in Scotland, UK officials were not particularly aware of Scottish grievances that had led to the campaign for a Scottish Parliament (interview with Whitehall official April 11, 2005). When the government changed, in 1997, and Labour came to power

committed to new governing structures for Scotland, Wales, and Northern Ireland, Whitehall civil servants were more than prepared to do whatever was necessary to support devolution, within the confines of the devolution settlement as determined by their political masters. Given that devolution did not apply in England, for them there were no fundamental changes to how things had traditionally been managed in England, or for that matter in the UK as a whole. Disuse of Joint Ministerial Committee structures illustrated that, despite devolution, it was 'business as usual'.

The accommodating and subordinate behavior on the part of Scottish Executive officials can be explained in the same vein, rooted in the overall social, political, constitutional, and institutional foundation of government in the UK. The Scottish Parliament is a subordinate body to Westminster; the issues being worked on are a combination of devolved, shared, and reserved competence, but in all cases the UK Government is still in charge. Civil servants were traditionally reluctant to use the party system for addressing issues. The UK civil service culture of problem solving, accommodation and understatement were key factors, as well as a lack of experience with territorially based disputes and an acknowledgement that in divided polities open disagreement and conflict is often the norm.

For civil servants working in the North East Region of England, nothing fundamental in power relationships had changed over the period of this research, as the drive for English regional assemblies had failed. What appeared to have changed however, was a desire by the centre for regions and local areas to have more joined-up thinking, resulting in a variety of centrally determined processes to facilitate this. In the end, however, these processes did not change the subordinate role that each delivery arm of government had to their parent organization in London.

Character and Workability of the United Kingdom Government-Scottish Executive Relationship

The concluding part of this chapter assesses the character and workability of the intergovernmental and interdepartmental relationships, using the same definitions and analytical framework as the Canadian case study and outlined in Chapter Two.

The categories established to judge character were cooperative, collaborative, competitive or coercive. Workability was assessed as high, medium or low, based upon the presence or absence of trust ties among senior officials. Given different accountabilities and institutional arrangements, each policy stream (welfare to work, skills, and immigration) was assessed separately.

Welfare to Work Issues

In welfare to work issues, actors from the UK Government and the Scottish Executive had a long history of working together at both a regional and local level, there were strong interpersonal relationships, and a level of trust had built up over time. Almost all of the factors that promote the development of positive trust ties were evident: shared objectives, geographic proximity, stability among the key players, willingness to engage, capacity to engage, leadership to work through differences, limiting agendas, mutual respect, positive history, recognition of mutual interdependence, and shared professional training and norms. Overall, the Scottish Executive- UK Government relationship in welfare to work was assessed as *cooperative and highly workable*.

At the Scottish-UK level, civil servants from the Department for Work and Pensions and the Scottish Executive and their respective agencies (Jobcentre Plus and the Enterprise Networks) viewed the relationship positively. However, at the delivery and cities level, interviews undertaken through this research provided examples of more 'fraught' relationships particularly between Jobcentre Plus staff and Scottish executive agencies and local authorities (interview with JC+ official March 16, 2005). This came from neglecting to involve all partners in decision-making, and differences of opinion about remits and how services should be provided. Local partners in particular expressed frustration at the centralized nature of welfare to work policy making across the UK, and desired more flexibilities at the local level.

The most important factors that impacted this largely positive workability assessment were the presence of shared goals and objectives. Both the Scottish Executive and

the UK Government shared the same overall goals in terms of assisting disadvantaged people to get into employment, to stay in employment, and to move on in the workplace. They also shared the same overall goal of making devolution work and the legitimacy of granting Scotland autonomy to manage their own affairs within the framework of the devolution settlement. Although the relationship was clearly hierarchical (hence a cooperative rather than a collaborative assessment), the parties depended on each other in order to implement their separate political imperatives, they respected and acknowledged the individual contributions they each made, and consistent and concerted efforts were made to manage the interface through both formal and informal mechanisms.

There were some interesting nuances between governments. A Jobcentre Plus official characterized working with Scottish policy makers and officials as like "pushing on an open door" (interview December 16, 2005). Scottish Executive officials characterized trying to get DWP to adjust something to reflect Scottish realities as more like "pushing at the door" (interview April 21, 2005).

Although hierarchical, the UK Government respected Scottish autonomy and recognized this in some subtle but important ways. Despite rolling out the same policies with the same principles across the UK, they recognized that this was done not in eleven regions, but in nine English regions plus the two countries Scotland and Wales. When there were UK-wide conferences, there were usually distinct and separate sessions focused on policies and issues in Scotland and Wales as the partnership arrangements and agendas were distinct. Although the Partnership Accord with local authorities in England was led by DWP and signed by a DWP official, in Scotland and Wales the work was led by Jobcentre Plus:

> *Jobcentre Plus is seen as an acceptable face of government whereas DWP is seen as a Whitehall department. If you have a devolved administration in Scotland and Wales it doesn't look very good to have a partnership accord with DWP written all over it. Jobcentre Plus is OK; we are seen as more neutral…greater DWP involvement would be seen as London interfering in Scottish affairs (interview with JC+ official April 28, 2005).*

There was no difference in substance as to whether DWP or Jobcentre Plus was leading, as the work of Jobcentre Plus is tightly controlled by DWP. This UK Government acknowledgement of the importance of 'perception' and the 'recognition' of Scotland and Wales as different is an assumed part of territorial relationship management in the UK. It contrasts significantly with historic Canadian difficulty in recognizing Quebec as a 'distinct society' or a 'nation'[120], leading to continuing territorial disputes.

The very positive interpersonal working relationship between officials (particularly between Scottish Executive officials with the Department for Enterprise, Transport and Lifelong Learning, the Enterprise Networks, Scottish local authorities, the UK Department for Work and Pensions and Jobcentre Plus) contributed to the development of trust ties. Two respondents identified that a positive working relationship also existed because the head of Jobcentre Plus in Scotland had previously worked in the Lifelong Learning Group of the Scottish Executive (interview with SE officials April 21 and December 5, 2005). The presence of UK Government officials living and working in Scotland built on relationships previously established by the Scottish Office. These relationships had been significantly extended with the joint policy development work undertaken on the Partnership Accord and Workforce Plus (SE 2006b). Despite distance, the relationship between Glasgow-based Scottish Executive and Department for Work and Pensions officials working in London was also strong, and was solidified in 2005, when they traveled together to make a joint presentation to an international American Welfare Conference (interview with SE official April 21, 2005). Their joint work as well as their solid interpersonal relationships intensified their understanding of each other's needs, and they were thinking for the future about co-location, or at minimum, common staff training (interview with JC+ official December 16, 2005).

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[120] In Canada the dynamics are more complex, given the often negative reaction of Canadians in the rest of the country to the idea of Quebec as a 'nation'. The British are accustomed to this terminology.

But contact was not enough. The attitude of UK officials in recognizing how Scotland was different, post-devolution, was also critical. A Jobcentre Plus official described it in this way:

> *At the end of the day there is a completely separate political dimension which they don't have in England…it starts for me about not being precious about who is seen to be in the lead, who is seen to be getting credit, any of that, for me it's about making sure that everybody just focuses on the objectives and the outcome (interview December 16, 2005).*

The relationship was also working well because of the growing maturity, confidence, and capacity of Scottish Executive officials and Scottish politicians. It is hard to engage in a meaningful way on a policy issue when the implications and impact have not been thought through and the Scottish people (or at least their representatives) have not been consulted to identify the flash points and level of interest. In the early days of devolution, Scottish officials were invited to UK-wide policy debates but didn't make much of a contribution (interview with JC+ official December 16, 2005). At that point, the intergovernmental relationship was just about information-sharing. A local government official suggested that, post-devolution, the Scottish Executive was becoming a more effective partner, more strategic and not just reactive:

> *The shift from the Scottish Welfare to Work Task Force of a number of champions promoting something (which had impact but was piecemeal), to being more strategic and developing the Employability Framework is expected to result in more effective policies that will better meet Scottish needs (interview March 31, 2005).*

On the other hand, this increased Scottish capacity for policy making creates a challenge for UK departments who are accustomed to being at the centre of all policy making. According to a local government official, the debate with DWP over its targets had been quite robust; DWP did not debate over where Scotland was coming from, but tried to ascertain what to do with its targets, given the Scottish environment (interview April 19, 2005). This challenge was not just coming from Scotland; DWP was starting to realize that the powerful partnerships they had set up in England through Local Area Agreements had opened a 'Pandora's box' that instituted a framework for dialogue that must be responded to with increased flexibilities and freedoms (Comments by DWP official at the Working Together conference November 11, 2005).

In skills issues, the relationship between the Scottish Executive and the Department for Education and Skills did not demonstrate the same level of trust ties as welfare to work policy and was assessed as *coercive and moderately workable*. There were a number of explanations for the differences. The first was geographic proximity—DfES is an English department and officials do not operate in Scotland; as a result the opportunity for face-to-face interaction was more limited. Unlike welfare to work, there were no ongoing committees set up to manage the interaction, and all issues were dealt with on an informal and ad hoc basis. Second, there were instances where DfES and Scottish Executive staff were reluctant to share information, impacting perceptions of honesty (interview with SE official April 15, 2005). The UK Government's unwillingness to identify skills policy as English (as opposed to UK-wide), and its inability to recognize the 'knock-on' effects of English policy making on Scotland failed to demonstrate respect for Scotland's devolved responsibilities in this area, and its ability to chart its own course post-devolution. Third, DfES and the Scottish Executive did not need an ongoing relationship to meet their separate objectives. There were no explicit shared goals or objectives, as each had developed their own skills frameworks (albeit within an overall UK context), and each had its own advisory body. The only areas of interdependence explicitly recognized were with respect to issues relating to the Sector Skills Councils, qualifications, and European Union matters.

Here, the relationship was more 'reactive' on the part of both governments; DfES and the Scottish Executive 'bumped up against' each other when the UK Government issued policy directions for the UK when they really meant England, or when Scotland was forced to react to the English agenda setting. As a result, the relationship here was characterized as '*coercive*' on the part of the UK Government, as governments were acting as if they were independent when in reality the actions of one (the centre) were forcing the other (the Scottish Executive) to do something without their agreement. There were also indications of a more competitive relationship as English and Scottish policy initiatives were routinely compared.

Because officials from the Department for Education and Skills did not live and work in the shadow of the Scottish Parliament (as Jobcentre Plus officials did) and there was regular staff turnover, DfES officials were not as sensitive to the political context and constraints under which Scottish Executive officials worked. The absence of a positive shared history, recognition of mutual interdependence, and the lack of geographic proximity all served to diminish the presence of trust ties as it related to skills policy. On the hand, over the period of this research, the relationship had improved, with both Scottish Executive and UK officials indicating that, post-devolution, the process to accommodation Scottish input on the second UK Skills Strategy in 2005 was an improvement over what had occurred on the first in 2003. Given this relatively positive assessment, workability in skills was assessed as moderate, as opposed to either high or low.

Immigration Issues

On immigration issues the relationship was categorized as *cooperative and moderately workable*. Once Ministers had given the green light, officials from both governments actively worked together to develop the Fresh Talent framework that the Scottish Executive had pushed for, while acknowledging that central government remained in control. However, unlike welfare to work where both the Scottish Executive and the UK Government recognized their interdependence and their collective need to work together to achieve shared goals, in immigration matters the initiative for working together had come from the Scottish Executive, not the UK Government.

As outlined in the interviews undertaken for this research, it had taken significant initiative and political capital for the Scottish Executive to persuade the Home Office to make adjustments to immigration policy that would respond to Scottish concerns. Fresh Talent would have been more ambitious had the Home Office accepted the plan as suggested by the Scottish Executive at the outset. Given that this dealt with a reserved issue, there was some questioning of the legitimacy of Scottish Executive initiative, and Home Office officials were reluctant to engage without Ministerial

direction. On the other hand, Scottish Executive officials seemed pleased with the progress that had been made once a narrower agenda was agreed on (interview with SE official June 6, 2007). The initiative had increased the intensity of linkages between Scottish Executive and Home Office officials, facilitating the building of a positive shared history. Cross staff placements and joint briefing sessions in Scotland had subsequently facilitated the further development of trust ties.

Synthesis

Figure 7 summarizes the UK Government-Scottish Executive relationships that have been outlined above.

Figure 7: Character and Workability of Whitehall-Scottish Executive Relationships

Relationship	Character of IGR	Workability of IGR
Welfare to work bilateral	Cooperative	High
Skills bilateral	Coercive	Moderate
Immigration bilateral	Cooperative	Moderate

None of the UK Government-Scottish Executive relationships were characterized as collaborative, due to hierarchy and continued central control. In skills the relationship was less hierarchical, as skills are considered a devolved responsibility. Here the relationship was characterized as coercive, as UK Government officials seemed unaware of the knock-on effects of UK-wide and English policy making on the Scottish Executive's capacity to set their own directions. Workability in all elements of labour market policy was considered positive, but the key reason that welfare to work was considered high (compared to moderate in skills and immigration matters) was because trust ties were facilitated by geographic proximity. The presence of Jobcentre Plus officials actually working within the geographic borders of Scotland, and the attention paid to processes to manage the interface resulted in highly workable relationships.

What was particularly noteworthy about these relationships was that they were all bilateral. Although officials from the Scottish Executive might informally meet with

their counterparts from Wales or Northern Ireland at Sector Council, European Union, or Welfare to Work conference events, the focus there was on best practices and information-sharing, not territorial management or policy development. Given the asymmetrical nature of devolution in the UK, there were few compelling reasons for collective engagement in the way that was common in Canada.

Workability in the North East Region of England

When examining the character and workability of relationships in the North East Region of England, relationships between each UK Government department at the centre and their regional and local bodies were not examined, because by definition these relationships are hierarchical and interdependent. Instead the interview evidence provided a basis upon which to assess relationships *between* the various actors working within the region and on a local level. Since interviewing in the North East Region of England was more limited than in Scotland, only tentative conclusions can be drawn, and then only with respect to welfare to work policy. The secondary literature was also helpful in this regard.

The definitions used in this thesis identified that collaborative relationships were non-hierarchical, and assumed more equality between the partners in terms of joint decision-making and approaches. This closely mirrors the manner in which relationships between the various partners in the North East Region were described through the interviews undertaken for this research. Certainly there were a variety of formal processes in place to facilitate collaboration—Partnership Agreements, Local Area Agreements, Local Strategic Partnerships, and Skills Action Plans. However, both those interviewed from the North East Region of England, as well as the secondary literature consulted, questioned the effectiveness of these processes.

The English regional structure was described by one academic as "lots of first mates but no captain", leading to a significant governance deficit (interview December 7, 2005). A Jobcentre Plus official suggested that the problem was too many agencies with remits that overlapped with everything done by committee, and no real leadership at a regional level. Finding agreement was difficult as the different

agencies had different authorities and scope and therefore different interests. For example, local authorities only worried about local activities, Regional Development Agencies were only concerned with regional issues, while Jobcentre Plus and the Learning and Skills Councils had UK-wide or English remits (interview December 5, 2005).

During the period of this research, DWP undertook a detailed evaluation of the effectiveness of Jobcentre Plus' partnership working. <u>Delivering Labour Market Policies through Local and Regional Partnerships</u> (DWP 2004b) concluded that:

> *While there is a general feeling that strategic partnership working contributes positively towards Jobcentre Plus business objectives and targets, the precise impact on labour market outcomes is difficult to identify…The main constraints on effective partnership working on the part of Jobcentre Plus include a focus on nationally set short-term performance targets; limited flexibility to operate at the local level; recent focus on internal issues and an organizational culture that appears to be primarily inward-looking (DWP 2004).*

Examining the various regional skills strategies and the regional partnership arrangements outlined in a variety of documents, an academic familiar with arrangements in the North East Region of England characterized them as:

> *glossy words on paper…platitudes that no regional agency has the capacity to make happen. The only people with power are central government as they have the money…people in the regions sitting on these committees are just overseeing the implementation of centrally set policies in their regions (interview December 7, 2005).*

The author concluded on the basis of this evidence that these relationships could be considered as *collaborative, with a low degree of workability*. Despite geographic proximity, routinized and regular engagement, recognition of mutual interdependence, and shared goals and objectives, trust ties were diminished by the absence of a capacity to engage and autonomy to decide, and the fact that, without a devolved parliament or assembly, there was no leadership to work through differences. Given the number of agencies involved and staff turnover, stability among the key players was also an issue.

Conclusion

When comparing the workability of the English regional structure for skills and welfare to work with what happened in Scotland under devolution, two significantly different elements emerged. The first is that devolution has resulted in a new way of making policy in Scotland. Before devolution the Enterprise Networks, local authorities and Jobcentre Plus were each working away doing their own thing, reporting primarily to their central office down south in the same way that English regional authorities, departments and agencies reported to their parent organizations during the period of this research. Pre-devolution the Scottish Office played an administrative coordination role around some of these activities, and did provide some level of overall direction. Devolution, however, has provided additional resources to the Scottish Executive to force more joined-up thinking across Scottish organizations, and the legitimacy through a Scottish Parliament to impose a direction when necessary. Every person interviewed through this research (with the Scottish Executive, Whitehall, Jobcentre Plus as well as Scottish stakeholders) believed that this had improved policy effectiveness and outcomes within Scotland.

The second organizational issue that impacted workability was the larger number of English organizations involved with welfare to work issues, compared to Scotland, and the continuing changes impacting them. For example, in England the Regional Development Agencies and Learning and Skills Councils reported to separate UK structures, while in Scotland all of these responsibilities were under the authority of the Scottish Executive Enterprise, Transport, and Lifelong Learning Department, simplifying horizontal management. In the view of a Scottish Enterprise official this provided Scotland with a "better architecture" for skills and learning that placed key tools (economic development, skills training, labour market information and career counseling) within a single integrated organizational structure (in this case the Department of Enterprise, Transport, and Lifelong Learning), allowing the development of strategic directions. Post-devolution, Scotland had also had an element of consistency through Smart, Successful Scotland (SE 2004b). This contrasted with a more fragmented English structure that required more people to be

around the table and seemed to be ever-changing (interview with HIE official April 18, 2005).

In the North East region of England the most significant problem appeared to be a process for decision-making, leaving jurisdictional issues between the various government departments and agencies to trump substance. In contrast, during the period of this research, there was a lack of conflict between the Scottish Executive and Whitehall over jurisdiction, and within Scotland the Scottish Executive and Parliament were accountable for resolving differences between departments. Organizational deficiencies and a perceived democratic oversight in the English Regions were not isolated to just labour market policy issues; they appeared to be an outcome of unfinished business from the first round of UK devolution.

Recalling John Elvidge's words in the opening quote of this chapter, although the power relationship dynamic and the character and workability of the UK Government-Scottish Executive relationship examined through this research were largely cooperative and workable, given the degree of hierarchy, the Scottish Executive has a way to go to evolve "from the inheritance of a single Government Department into a fully integrated Government" (Elvidge 2006). A new era may be underway starting in 2007 when the Scottish National Party took control of the Executive and began using the name the 'Scottish Government'.

Positive cooperation and workability in labour market policy in the UK during the period of this research was largely based on factors in the overall country context, including that fact that all relationships in the UK are bilateral (as opposed to multilateral), the centre is still in charge, jurisdiction is shared (as opposed to divided), and the pre-devolution forces of accommodation found in a unified civil service and political party system have not changed.

This concludes the empirical work for this thesis. Intergovernmental relations in labour market policy in the UK have been examined using a similar analytical framework to that used for assessing intergovernmental relations within the more

mature Canadian federal system. The final chapter of this thesis explicitly considers the differences in intergovernmental relations between the two countries, and identifies what accounts for these differences.

CHAPTER 8: INTERGOVERNMENTAL RELATIONS AND LABOUR MARKET POLICY IN COMPARATIVE CONTEXT

As a long time practitioner and observer of intergovernmental relations in labour market policy in Canada, the author undertook this thesis in order to gain a better understanding of the dynamics around what was perceived as a fractious relationship, by putting the Canadian experience into a comparative context. The United Kingdom was chosen as the key comparator, and it was assumed from the start that, given differences in the constitutional structure in each country, that this would be a most different systems design comparison.

Chapters One and Two provided the necessary theoretical and analytical information to frame the research. Chapter Three identified and compared the numerous variables in the overall country context in each country, highlighted the differences between Canada and the UK, and assessed how these influenced intergovernmental relations in any policy sector. In Chapters Four and Five, the development and operation of the mature Canadian intergovernmental relations system in labour market policy was examined; this was followed in Chapters Six and Seven by an assessment of the emerging intergovernmental system in the newly devolved UK. Having carried out each country analysis separately, the purpose of this chapter is to compare the two countries, as well as determine whether what has transpired in intergovernmental relations in these two countries during the period of this research might improve our understanding of intergovernmental relations in general.

This final chapter is structured around the research questions which were outlined in Chapter One. The first two research questions focused on identifying the differences in intergovernmental relations between the two countries: 1) *To what extent were there differences in intergovernmental relations in labour market policy between Canada and the United Kingdom?* 2) *What accounted for these differences?*
Of all the variables initially identified in Figure 2 of the analytical framework for this thesis, the author concluded that the most important differences between Canada and the United Kingdom can be organized around three themes: differences in the

structure of the state, differences in the structure of the policy domain, and differences in the forces of accommodation. These emerged based upon the analysis undertaken through this thesis.

The third research question to be answered was: *What impact did these differences have on the character and workability of the intergovernmental relations system in labour market policy in each country?* In this section of the chapter the results from the separate analysis of the Government of Canada-Government of Alberta relationship and the UK Government-Scottish Executive relationship are considered and the two countries compared. A more limited analysis of relationships in the rest of the country (Ontario and British Columbia in Canada, and the North East Region of England) is also provided.

The final section of this chapter looks to the future, to consider political developments in 2007 and beyond. In the United Kingdom, the election of the Scottish National Party has changed one of the key forces of intergovernmental accommodation that was available in the UK during the period of this research. In Canada, the change was within the policy sector, where the new Conservative Government has committed to further devolution.

The chapter concludes with a reflection on how what has been learned about intergovernmental relations in two countries during a time when responsibilities were being shifted from one order of government to another might be more broadly applied to other countries or to the development of intergovernmental theory. It also considers the contribution that this research makes to the intergovernmental relations literature.

Differences in the Structure of the State

There were four features of the structure of the state which, in the view of the author, fundamentally shaped how intergovernmental relations were conducted in Canada and the United Kingdom during the period of this research. These were the nature of the constitution in terms of ultimate authority, the composition and number of sub-

state units, how finances were shared, and how powers were divided. As a result of these features, Canada's provincial governments are more powerful than the UK's devolved administrations, and the UK central government is more powerful than Canada's federal government. These state structures provide profoundly different influences on intergovernmental relations in *any* policy area in Canada, compared to the UK.

The most significant difference between the two countries is that Canada is a federation (where neither order of government is subordinate to the other), whereas the United Kingdom is a devolved state, with the Scottish Parliament and Scottish Executive subordinate to the Westminster Parliament and Whitehall. This establishes a completely different power dynamic between central and sub-state governments in each country.

Protected by the constitution (which requires their approval for any changes), Canadian provinces are powerful political entities that view themselves as equal partners to the national government and fully sovereign within their respective area of competence. Although federal officials may have viewed Alberta as their delivery agent with regard to the Labour Market Development Agreement, Alberta officials considered that they were acting within their jurisdiction to deliver the programming that suited Albertans, and then charging the Government of Canada for those expenditures that fit within the parameters of the federal funding agreement. During the period of this research, when the federal government attempted to involve themselves in areas that were constitutionally assigned to provinces using conditional grants and unilateral action, provinces individually and collectively pushed back. This effectively blocked the Government of Canada from realizing many of its goals.

In contrast, in the United Kingdom the Scottish Parliament and Scottish Executive were created by central government, and could, in theory, be abolished by the Westminster Parliament. Despite some powers being passed down to the Scottish Parliament, strategic policy making during the period of this research still occurred at the centre of government. Even those powers passed down were retained by the

centre through the UK Government's reserved responsibility for European Union matters. In welfare to work policy the Scottish Executive was viewed as the delivery agent for central government, despite being given control of policy instruments necessary to help people into work. Even though skills policy was considered devolved, strategic directions were still determined by the centre. Whitehall officials regarded the devolved administrations as subordinate, indeed some even questioned whether the Scottish Executive was even a 'government', viewing the relationship, eight years post-devolution as still interdepartmental. The hierarchy in the relationship with Westminster still in charge was clearly acknowledged by Scottish Executive officials who, unlike Canadian provincial governments, had more limited constitutional backing to assert their autonomy.

The second structuring factor was the number of sub-state units and the degree of asymmetry in the relationship between central and sub-state governments. In Canada, when relationships between governments occur, the federal government is facing ten provinces and three territories with relatively equal jurisdictional competence, making multilateral interprovincial coalition building as a counterweight to federal control an important consideration. In labour market policy during the period of this research, bargaining occurred on a bilateral, interprovincial and federal-provincial basis. The presence of a multilateral bargaining arena comprising 14 different jurisdictions increased the number of actors involved in intergovernmental relations in Canada and complexity. Not only were there a lot of players, there was also considerable organizational churn, as the players turned over regularly. Part of this was due to the propensity of both federal and provincial governments in Canada to reorganize regularly in response to electoral cycles and political party turnover within each jurisdiction.

In contrast, in the United Kingdom there were only three small devolved administrations, collectively representing only 15 percent of the UK population. Since the UK Government acted as both central and the largest regional government (for England), the demarcation between devolved and reserved issues was often unclear, allowing the centre to exert significant influence over policy even in areas of

devolved competence as they needed to make these governance choices for England. During the period of this research there was no perceived need in the UK for multilateral intergovernmental relationships (either with the centre and all of the devolved administrations or between the devolved administrations), as each administration had different needs, competence and powers. Instead, all intergovernmental relationships between the UK Government and the devolved administrations were almost exclusively bilateral. The asymmetrical nature of devolution in the UK meant that there were fewer sub-state players to enhance coalition building, while at the same time the UK central government possessed substantially greater powers than its Canadian counterpart.

The third structuring factor where differences were significant was finances. Canadian provinces have considerable autonomy as each order of government has direct access to tax revenues and provinces have access to resource revenues. They can choose to spend on labour market policy as they see fit, subject to overall provincial priorities. During the period of this research, provinces did not look to provincial taxpayers to fund labour market policy: instead, they looked primarily to the federal government for resources, in particular access to the Employment Insurance account, which was exclusively under the control of the Government of Canada. Federal funding for labour market matters built on an existing complicated system of financial transfers from the federal to provincial governments that had evolved over time.

The broader financial context during the period of this research involved federal cutbacks to this funding, with provinces asserting that the Government of Canada was taking more money from taxpayers than was required to fulfill their responsibilities, shortchanging provincial governments. When agreements were put in place, federal officials sought conditional arrangements, with provincial governments having to account for the expenditure of funds. All of these factors made disputes over finances and how to account for intergovernmental transfers one of the key irritants in both federal-provincial and interprovincial relations. In labour market policy disputes about whether federal funds should be allocated to provinces

or be spent directly, the overall adequacy of federal funds to be allocated, how these funds should be distributed between individual provinces, and how they should be accounted for, were all evident.

In contrast, in the United Kingdom the devolved administrations did not raise the funds they required through taxes and did not have direct access to resource revenues; instead, they received a population-based block grant from the UK Government based on a formula regarding comparable UK services in England. Not only were the devolved administrations free to spend on devolved services as they saw fit without having to account to the UK Government, during the period of this research overall funding increased. Although this population-based grant removed the need to negotiate the allocation or appropriate accountabilities between governments and reduced intergovernmental tension, it also meant that the Scottish Executive was completely dependent upon the UK Government for resources.

The final state-structuring factor that was very different between the two countries was the division of powers. Although the listing of reserved items in the Scotland Act appeared to set up a structure like in Canada where the distribution of functions was divided, in reality, devolution established shared (as opposed to divided) competencies. In the UK, jurisdiction in labour market policy was considered grey and unclear, and officials acknowledged the difficulty in identifying which areas were devolved and which were reserved. The fact that the Scottish Executive was taking more responsibility in employability supports was welcomed by the UK Government. Given the UK Government's overall fiscal responsibility as well as its continued responsibility for European, UK-wide, and English policy making, neither Whitehall nor Scottish Executive officials saw any benefit in protecting or advancing jurisdiction. If both sides saw the benefit of adjusting the demarcation of reserved issues in the Scotland Act, this was relatively easy to do[121].

In contrast, in Canada a focus on protecting and advancing jurisdiction was paramount. Divided jurisdiction, by its very nature, sets the stage for disputes

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[121] Post-devolution, adjustments had already been made in areas such as transportation.

between governments when one order of government perceives that the other is trespassing on its area of responsibility. Making changes to jurisdiction is difficult, given that competence between governments is entrenched in the Canadian constitution. Jurisdiction, and who is responsible for which government function, is especially important when governments are directly responsible for raising the funds needed for the services they provide. As outlined extensively in Chapter Four, over the years, labour market policy in Canada had been characterized by periods of federal-provincial cooperation, overshadowed by conflict and continuing disputes over jurisdiction. Without the Quebec sovereignty referendum, it is highly unlikely that the Government of Canada would have agreed to devolve active measures, as pre-devolution, this was an area of high federal expertise and presence across Canada. Even when they did agree to transfer responsibility, the Government of Canada retained control of many policy levers. Eventually it came to regret its devolution decision, and attempted to re-assert control. Its refusal to follow through on the initial devolution offer increased intergovernmental tension, especially with the Province of Ontario. During the period of this research, rather than constitutional clarity on who was responsible for what in this policy domain, devolution led to a 'checkerboard' system with different services and accountabilities in different provinces.

These state structures—the constitution, the number of sub-state governments and the asymmetry between them, how finances were shared, and how power was divided—provided very different motivations for governments in each country to engage in intergovernmental relations. During the period of this research key provincial goals in Canada were to protect and advance jurisdiction while still securing federal money. The federal government engaged in order to demonstrate relevance and to achieve a national purpose. In the UK, the main motivator for governments to engage in intergovernmental relations was to manage interdependence and implement the devolution settlement; money was not a motivator and protecting jurisdiction was perceived as irrelevant.

Differences in the Structure of the Policy Domain

Despite similar programs and services supported by government funding that help individuals in Canada and the United Kingdom prepare for, find, and keep a job, and that assist employers in securing, retaining and developing the workforce that they require, the policy governing structure in the two countries was fundamentally different. Differences included the degree of decentralization, the capacity of central government to show leadership, the involvement of players external to government, and intergovernmental institutional structures.

Canada's labour market policies were built up over time around the constitutional division of powers, with some parts federally conceived, funded and delivered; some parts provincially conceived, funded, and delivered; and some parts federally conceived and funded and provincially delivered. This contrasts significantly with the United Kingdom, where all components of labour market policy were developed as part of a national system under national legislation with national equity as a central organizing principle. Although all aspects of labour market policy were initially centrally conceived and funded, historically segments relating to vocational education and training were delivered by the Scottish Office. With the exception of skills development through the European Social Fund, pre-devolution all labour market policy direction in the United Kingdom was under control of the centre.

A major difference between the two countries relates to which order of government is responsible for policy determination and policy implementation. Both orders of government in Canada are significantly involved in both deciding and delivering passive labour market programs, with the federal government responsible for Employment Insurance and provinces responsible for last resort social assistance[122]. Although historically a federal responsibility, Canadian provinces greatly expanded their expertise and capacity in active labour market policy during the 1990s, in order to deal with rising social assistance caseloads and costs. Provinces with devolved

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[122] These are the largest income support programs in Canada for working aged adults. Other programs include Canada Pension Plan Disability and income support for aboriginal persons on reserve (federal) and Worker's Compensation (provincial).

LMDAs further expanded their involvement in the policy domain through the devolution offer. In contrast, in the United Kingdom the UK Government is responsible for both policy making and policy delivery of all passive labour market programs (including Jobseeker's Allowance, Income Support, and Incapacity Benefits[123]), as well as the conditionality associated with benefit delivery. The Scottish Executive is involved through their responsibility for skills, training and employability supports.

Which order of government has competence and capacity in a particular policy domain is an important component of any country-to-country comparison. Using passive labour market policy, as well as the sub-functions of active labour market policy as outlined in Chapter One of this thesis, Figure 8 provides a weighted (out of 100) assessment of each labour market sub-function in terms of which government has control of the policy instruments. For passive labour market policy, the assessment of control was done through a relatively objective process using caseload counts as the criteria[124]. In active labour market policy, it represents the author's subjective assessment of the degree to which each order of government is involved in deciding, delivering and reporting on the particular policy sub-function. This was based upon the policy documents reviewed for this research, information from parliamentary hearings and secondary sources, as well as the intelligence provided through interviews with key informants.

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[123] Jobseeker's Allowance is similar to Canada's Employment Insurance Program while Income Support and Incapacity Benefit are similar to Canada's social assistance programs.
[124] Caseload counts were felt to be better measure than program expenditures. The analysis is based on available data and is meant to be illustrative. The following caseload data was derived from the Directors of Income Support (2006), Statistics Canada (2006) and Puttee (2002): SA 2002: 1,130,401 cases; WCB 1997: 790,000 recipients; C/QPP Disability 1998: 437,000 recipients; EI 2002: 828,723 beneficiaries. Given these numbers, the share was 60% provincial and 40% federal. Data on SA on reserve (which is federal) was not available; as a result it was assumed that when included the federal share would be increased to 50%.

Figure 8: Comparing Competence in Labour Market Policy[125]

Labour Market Function	Gov. of Canada	Alberta (AB) Gov.	UK Gov.	Scottish Exec (SE).	Comments
Passive Labour Market Policy (PLMP)[126]					
	50	50	100	0	All PLMP in UK centrally controlled; 50-50 split in Canada
Active Labour Market Policy (ALMP)					
• Skills training	0	100	0	100	Sub-state responsibility in both case studies.
• Job matching	0	100	80	20	PES in Canada now under AB; in UK primarily under JC+.
• Careers advice	0	100	50	50	In Canada under AB; in UK under SE as well as JC+.
• Workforce develop-ment	20	80	20	80	Although some national efforts, primarily sub-state responsibility.
• Job creation	0	100	20	80	In Canada under AB; in UK under SE with EU funding.
• Labour market information	50	50	50	50	All governments equally involved.
• Labour mobility	20	80	80	20	In Canada most instruments under prov. control; in UK EU plays significant role.
• Activation measures	0	100	100	0	In Canada all under prov. control; in UK under JC+.
• Targeted measures	20	80	50	50	Canada has youth, aboriginal, & some others, provinces do rest. Evenly split in UK.
• Total	160 (16%)	840 (84%)	550 (55%)	450 (45%)	

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[125] This comparison uses the sub-states of Alberta and Scotland in each country and cannot be generalized as applying across each country.
[126] PLMP only includes income support programs for working aged adults (as opposed to seniors and children).

This assessment confirms one respondent's view that, in Alberta, the Government of Canada has slowly but surely "slipped out of the game" and is now only "dabbling around the edges in labour market policy", responsible for approximately only 16 percent of the activities. The LMDA transfer, plus the investment that the province made in labour market programs, pre- and post-devolution, confirms that, in this policy area, the provincial government carries most of the responsibility. The picture is not the same in those provinces without devolved LMDAs, as in those jurisdictions the Government of Canada still delivers many programs and runs the public employment service.

What may be surprising in the United Kingdom is how significantly involved the Scottish Executive is in labour market policy, with this research assessing it at 45 percent of the activity. Building on the Scottish Office's historic involvement in vocational education and training and local authority involvement through the European Social Fund, post-devolution the Scottish Executive has increased its involvement in workforce development, careers advice, labour market information, and targeted measures, all without jurisdictional conflict or a need to change the division of powers outlined in the Scotland Act.

The level of government that is ultimately responsible for a policy domain has a significant impact on the power dynamics of intergovernmental relations. In Alberta, the fact that the provincial government accounted for 84 percent of the programs and services greatly reduced interdependence with the Government of Canada. On the other hand, interdependence increased as many functions delivered by Alberta were supported through conditional federal funding. In the UK, during the period of this research, the Scottish Executive became a significant new player in the policy domain, increasing interdependence and the need for government-to-government interaction to manage the relationship.

A second significant difference between Canada and the United Kingdom was with respect to the capacity of the national government to show leadership. This is a direct outcome of the degree of decentralization in the policy domain, as well as the overall

power of central governments to command. During the period of this research, the UK Government regularly issued policy papers, statistics and evaluations on labour market policy. There were countless green papers and white papers, as well as high-profile reviews of performance. These set targets that guided the performance of all actors, including the devolved administrations. Many of these targets were set not just to motivate UK actors, but in the context of UK participation in the European Union.

In contrast, the Government of Canada is limited in its ability to set targets in active labour market policy, as policy instruments are mostly in provincial, not federal hands, and, as demonstrated through this research, no over-arching federal-provincial protocols have been established. The key attempt that the federal government made at demonstrating leadership during the period of this research was in relation to the 2002 Innovation Strategy. This failed to engage provinces and territories. The federal institutions set up as an outcome of that process (the Canadian Council on Learning, the Foreign Credentials Recognition program, and the Workplace Skills Strategy) are not uniformly recognized by provincial governments. Likewise, provincial efforts through the Council of the Federation to lead in postsecondary education and skills were ignored by the Government of Canada. Without a robust intergovernmental process to bridge between the two orders of government, as a country Canada cannot set national targets or strategic directions in labour market policy like the UK Government regularly does. It cannot even gather the information required for this national goal setting process (Canadian Council on Learning 2007). In the view of the author, Canada's demonstrated inability to set and implement a national human capital development strategy has serious consequences for the overall competitiveness of the country, as well as individual prosperity and well-being.

The third area of difference between Canada and the United Kingdom relates to the involvement of actors external to government. In the UK, civil servants interacted within a rich network of external actors interested in labour market matters, ranging from dedicated industry and civil society advisory committees, to parliamentary committees, to local and regional service delivery networks. In addition, the

European Union provided a forum for civil servants to connect not only with industry and civil society members from within the UK, but also with similar actors in other European countries.

During the period of this research there were a number of national level advisory committees in the UK—the National Employment Panel, the Skills Alliance, the Social Security Advisory Committee, the Disability Employment Advisory Committee, the Sector Skills Councils and the Sector Skills Development Agency. Although these UK-wide advisory bodies may not have been particularly aware of the impact of devolution on UK Government policy making, the 25 sector councils in the UK were specifically mandated to take Scottish concerns into account through an extensive agreement with the Scottish Executive that also included their coordinating body, the Sector Skills Development Agency. This ensured that sector council activities in Scotland were linked to Scottish Executive plans and other Scottish stakeholder concerns and issues.

Within Scotland, the Welfare to Work Advisory Task Force gave way to short lived task groups on specific issues like the development of Workforce Plus (SE 2006b). There were also extensive networks and committees within individual cities, as well as parliamentary committees concerned with welfare to work and skills issues. These parliamentary committee deliberations were open and stakeholders often presented briefs to politicians.

Through the European Employment Strategy the European Commission facilitated the coordination of employment policies among the 27 member states. As part of its commitment to this strategy, the UK Government sought input on UK plans from the devolved administrations through routinized processes, as well as from industry and civil society representatives. These ongoing and frequent European processes provided a multitude of opportunities for civil servants and others interested in labour market policy to connect face-to-face on the issues facing governments.

The UK research community in labour market policy consisting of academics, think tanks and research institutes was extensive; in addition the UK Government and the Department for Work and Pensions were committed to 'evidence based policy making', resulting in extensive studies, evaluations, and assessments of both welfare to work and skills policy. These studies were all publicly available and provided a foundation for debate. Citizens and stakeholder groups were encouraged to make their views known.

In contrast, in Canada not only were intergovernmental relations in labour market policy executive-dominated, the entire policy area was executive dominated. Although there were federal parliamentary committees concerned with labour market matters that held open public hearings and inquiries on behalf of the Government of Canada, no such committees existed in Alberta. With the demise of the Canadian Labour Force Development Board, there were no ongoing national bodies that provided advice and input on labour market policy, and only Quebec and Saskatchewan had provincial bodies. Although Canadian governments might individually reach out to labour market partners through term limited consultations, they generally did not do this together; indeed provinces avoided joint consultation efforts for fear that the national government would use these opportunities to 'browbeat' them into doing something against their interests. This contrasted with the UK, where multi-government consultations were the norm.

Most stakeholders in Canada had limited knowledge of federal-provincial relations or the institutions in place, and often complained that federalism trumped policy substance, leaving issues unresolved and shunted between governments. The lack of institutional structures between governments was particularly noticeable with respect to federal bodies established by the Government of Canada. Although Canada's sector councils operated in a similar fashion to those in the UK, no efforts had been made to formally link these national bodies with sub-state governments, limiting sector council effectiveness as competence in the areas they were dealing with was substantially provincial. Similarly, not only were provinces not formally connected

with the federally supported Canadian Council on Learning, some provinces actively opposed its attempts to develop any kind of national view of skills and education.

Unlike the UK, in Canada there was a lack of information generally and transparency on what was happening with respect to government action in the labour market. Although each province and the federal government issued individual reports on labour market activities, no efforts were made to ensure comparable measures. While labour market policy is generally recognized as an area where both orders of government have legitimacy to act, there was even less information available than in the social assistance[127] area, which is an area of exclusive provincial jurisdiction.

Why was there so much more involvement with actors external to government in the UK, compared to Canada? The presence of the European Union and the collectively agreed on consultation requirements built into the European Employment Strategy and the European Social Inclusion Strategy were an obvious important factor. As identified in Chapter Two, Borzel (2000) attributed Europeanization as the reason for the shift of the autonomous communities in Spain from competition to cooperation, as otherwise they feared losing competencies. The extensive government-to-government interaction through the Open Method of Coordination which underpinned the European Employment Strategy provided a structure not just for member country-European Union-European Commission relations, but also for sub-state involvement. In Canada none of these processes existed, as active labour market policy was considered a strictly domestic issue, and not subject to international deliberations. There were no external pressures (other than through the OECD), that forced Canadian governments to come together and cooperate on labour market policy issues.

Another factor was that pre-devolution, the UK Government had democratized labour market policy: many functions had been re-allocated from direct government delivery to executive agencies and non-departmental public bodies. In addition, local

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[127] For example, provincial Directors of Income Support, with the support of federal officials, voluntarily provide regular statistical and comparative information on social assistance across Canada.

authorities were also involved, given their responsibility for deprivation and the funds that had been made available over the years to combat it through the European Social Fund. Historic central government control over all elements of policy making and policy implementation, a huge bureaucracy, and Labour's commitment to 'evidence-based policy making' significantly expanded partnerships and networks in the UK. In Canada none of these forces were evident.

A final difference with respect to the policy domain concerned the institutional structures set up to manage government-to-government interaction. All four governments examined in detail through this research— the Government of Canada, the Alberta Government, the UK Government and the Scottish Executive—recognized and acknowledged a high degree of interdependence, although this varied by issue and events. In both countries there was a considerable investment and reliance on bilateral arrangements, supported by formal committee meetings between officials as well as an array of intergovernmental agreements. In the United Kingdom, most agreements were procedural. While Canada also had procedural agreements, of more significance were the substantive agreements involving a transfer of funds from the Government of Canada to provinces in relation to specific labour market programs.

In Canada relationships between governments were not only bilateral, but also multilateral. Over the years, an elaborate intergovernmental structure to manage labour market policy had been put in place, involving four separate intergovernmental forums with overlapping mandates. This occurred because labour market services in Canada are siloed by client group and delivered by different orders of government. The United Kingdom was not immune from this focus on client groups and the silos this created: indeed, there were separate New Deals under the control of Jobcentre Plus for the unemployed, single parents, older workers and the disabled. However, at least these separate New Deals were all under the control of one government, which had the ability to prescribe some level of coordination.

In Canada each of these four multilateral forums had dedicated secretariats. In both the Social Services Forum and the Forum of Labour Market Ministers, there were processes for both federal-provincial as well as interprovincial relations. In contrast, the Council of Ministers of Education Canada had no regularized process for engaging with the Government of Canada, and the Forum of Immigration Ministers had no regularized process for interprovincial dialogue. Federal officials viewed the Forum of Labour Market Ministers as particularly dysfunctional; this view predated devolution. They were satisfied with the Social Services forum and the control they wielded over Immigration Ministers, but were dissatisfied with their lack of standing with respect to issues considered through the Council of Ministers of Education Canada. While provinces recognized the problems associated with these multilateral forums, they were more supportive of their continued use, as this increased their bargaining power over the Government of Canada. Alberta in particular would have liked to 'regularize' the Immigration Ministers' Forum, putting a neutral secretariat in place and opportunities for interprovincial collaboration. They had no interest in allowing the federal government a way into the Council of Ministers of Education Canada, with the view that shutting the federal government out of the intergovernmental mechanism that coordinated postsecondary education across Canada shut them out of the sector.

In Canada, when multilateral intergovernmental forums are ineffective a number of behaviors result. Conflicting issues are not put on the agenda and intergovernmental exchange is avoided, leaving problems to fester and grow. Governments practice blame-shifting, leaving citizens to wonder about their governance, undermining trust in government in general. The lack of decision-making rules results in lowest-common-denominator solutions, not particularly satisfactory to anyone. The bilateral decision-making which is put in place as a substitute to multilateral action provides greater control to the federal government, allowing it the opportunity to play one province off against the other to achieve its goals. Given that there were four separate forums involved in labour market policy in Canada during the period of this research, issues fell between the gaps and were not dealt with or cumbersome processes to manage between forums were established, frustrating officials and Ministers alike

when some necessary people were excluded from decision-making. Despite acknowledging the problems with the existing multilateral forums in labour market policy, there were no activities underway in Canada on either a federal or provincial basis to change the status quo. The only actors in the Canadian federal system with the breadth of knowledge of the issues and structures that these four forums were dealing with would have been intergovernmental affairs specialists with the Privy Council Office in Ottawa or with a provincial central agency like the Department of International and Intergovernmental Affairs in Alberta. Given their focus on protecting jurisdiction and an inability to control the intergovernmental work at the sector level, it would have required extraordinary agency on the part of a single individual to advocate for change.

Differences in the Forces of Intergovernmental Accommodation

These fundamental differences in the structure of the policy domain between Canada and the United Kingdom—the degree of decentralization, the power of the central government to act, the involvement of actors external to government and the intergovernmental machinery—presented different contexts for the operation of intergovernmental relations in labour market policy in Canada and the United Kingdom. In addition, when differences between governments arose, the United Kingdom had access to two powerful forces of intergovernmental accommodation that were not available in Canada. These were the integrating forces of a unitary party system and a unified civil service.

Devolution was a key project of the British Labour Party, and during the period of this research, Labour was in charge of both the Westminster and Scottish Parliaments, providing a ready mechanism for informal political accommodation. McEwen (2006, p. 179) suggests that:

> *The sense of shared identity between Scottish and British Labour is crucial to understanding their shared political objectives and the collaborative nature of Scottish-UK intergovernmental relations... The Scottish Labour Party remains firmly integrated with the British Labour Party...although free to make distinctive policies within the areas devolved to the Scottish Parliament,*

it has been reluctant to do so unless pressured by the coalition politics that are a reality of devolution.

The Labour Party across the UK had two important shared objectives which impacted intergovernmental relations in labour market policy during the period of this research. The first was a commitment to making devolution work. Both the Scottish and British Labour parties agreed that this was best accomplished within the parameters of the existing devolution settlement. Neither had any interest in formally extending the settlement into additional areas of labour market policy, even though they were both quite comfortable with the Scottish Executive informally taking more responsibility for employability. This occurred because Labour politicians also shared similar objectives with respect to welfare reform and increasing the employment rate to 80 percent. When objectives are shared and governments lack the constitutional or financial resources to achieve its goals on their own, this provides the incentives needed for negotiation and positive intergovernmental relations.

In Canada, not only are federal and provincial political parties not integrated, the 'first-past-the-post' electoral system actually exacerbates regionalism—when entire parts of the country find themselves voting for a political party shut out from central government. During most of the period of this research, Canadian governments did not share the objective of making intergovernmental relations harmonious; in fact the period started with a significant break in traditional federal-provincial cost-sharing arrangements, impacting all social policy areas. Labour market objectives were shared only for a brief period around the implementation of the Labour Market Development Agreements, but within two years the Government of Canada had changed its mind about further devolution. From the historical review undertaken for this research, it appeared that the last time governments in Canada shared sustained common objectives in the labour market field was in the 1940s, when all governments agreed to a constitutional amendment so that the federal government could operate a national Unemployment Insurance program.

Unlike the UK, the political party system in Canada provides limited mechanisms for intergovernmental accommodation, as federal and provincial political parties operate

separate structures, and have no formal connections. In any case, provincial and federal Ministers usually represent different political parties. Bilateral meetings and multilateral meetings between federal and provincial Ministers occurred on a regular basis to handle the business of governing, but during the period of this research, party politics played an incidental role. It is notable, however, that the accommodation finally achieved between the governments of Ontario and Canada around a devolved LMDA was not realized until Liberal parties were in power in both jurisdictions. This demonstrates that party politics can play an important role. However, in the Canadian context this was an anomaly, and on a regular basis the party system does not provide a force for intergovernmental accommodation.

The second powerful force for accommodation found in the United Kingdom but not in Canada is the civil service. Post-devolution, the Scottish Executive remains part of the Home Civil Service, with continuing opportunities for individuals to move from one service to another. Being in the same club, civil servants in the UK share similar values and interests, the most important of which was making devolution work and making welfare and skills reform a success. Maintaining good will and positive working relationships and coming up with solutions to problems was an important part of achieving these objectives. During the period of this research, civil servants in the UK were loath to raise issues to the Ministerial level, as this would be seen as an embarrassment and unhelpful. Given that Labour was in charge of both the Scottish and Westminster Parliaments, intergovernmental issues became intertwined with party politics. Having Ministers sort out issues would have put them in the position of having to 'wash their dirty linen in public'; as a result, every effort was made to solve issues at the civil service level.

In contrast, in Canada each order of government has its own civil service, and there are few cross-over opportunities to move between governments. While the interests, expectations, values, capacity, and experience of civil servants from different governments in Canada may diverge, a key focus for all was protecting and advancing the jurisdiction of their respective government. To do this, the stronger provinces (like Quebec, Alberta, Ontario and British Columbia) as well as the

national government invested in civil service expertise and capacity. Intergovernmental relations in Canada were often conducted by intergovernmental policy specialists through structured multilateral processes that were highly institutionalized. These individuals provided the necessary support to senior officials, including Deputy Ministers, Assistant Deputy Ministers, as well as Ministers, who made the key intergovernmental decisions.

In the UK, almost all intergovernmental relations were conducted by policy civil servants as part of their day-to-day responsibilities, assisted by Scotland Office officials whose explicit role was to encourage close working relationships between governments and act as an intermediary if necessary. In the UK, most interaction between governments was handled at middle and lower levels within each organization, and some of these officials were not even considered civil servants, as they worked for non-departmental public bodies. In contrast, in Canada, officials at the highest level of government were directly involved in intergovernmental relations, and all were direct employees of their respective government.

In Canada, federal and provincial officials live in separate worlds, serve different masters, and generally do not come together except through their involvement in intergovernmental relations. There are very few national, international, or provincial conferences or events that draw them together. This stands in stark contrast to their UK colleagues, who participate in an abundance of Scottish, UK-wide and European conferences and events relating to labour market policy. These provide opportunities for practitioners, policy officials, and Ministers from all governments in the UK, as well as other European countries, to come together and share their views.

Chapter Two of this thesis outlined the rationale for selecting actor-centered institutionalism as the theoretical approach for this thesis. This considered how an actor's interests, values, expectations, experiences, and capacity interacted with the institutional context in which they worked. The analysis in this chapter has highlighted the structure of the state, the structure of the policy domain, as well as the role of political parties and the civil service, as constraining forces on civil

servants involved with intergovernmental relations in labour market policy in Canada and the United Kingdom.

Despite the constraints of these institutional structures, intergovernmental administrative relations in both Canada and the United Kingdom are about human interaction. The civil servants who were involved in labour market policy during the period of this research still had the capacity within their control to build either positive or negative trust ties with their colleagues. The final section of this concluding chapter compares the character and workability of intergovernmental relations in labour market policy in post-devolution Canada and the United Kingdom.

Character and Workability of Intergovernmental Relations

The analysis in the chapter to this point has focused on the first two research questions, assessing to what extent there were differences in intergovernmental relations in labour market policy between Canada and the United Kingdom. It has also considered what accounted for these differences. The next part of this chapter focuses on the third research question, and assesses the impact that these differences had on the character and workability of intergovernmental relations within each country. It starts with a recap in Figure 9 of the separate analysis carried out in Chapter Five (for Canada) and Chapter Seven (for the United Kingdom).

In the UK issues were subdivided into welfare to work, skills and immigration. In Canada, issues were subdivided based upon the multilateral forum that took responsibility: labour market (Forum of Labour Market Ministers), disability (Social Services Ministers), or immigration (Immigration Ministers). Relationships in Canada occurred on both a bilateral and multilateral basis, whereas in the United Kingdom they occurred only on a bilateral basis.

Figure 9: Character and Workability in Intergovernmental Relations

Relationship	Character	Workability
Canada-Alberta labour market bilateral	collaborative	high
Canada-Alberta labour market multilateral	competitive	low
Canada-Alberta disability bilateral	collaborative	high
Canada-Alberta disability multilateral	collaborative	moderate
Canada-Alberta immigration bilateral	collaborative	high
Canada-Alberta immigration multilateral	cooperative	moderate
UK Gov.-Scottish Exec. welfare to work bilateral	cooperative	high
UK Gov.-Scottish Exec. skills bilateral	coercive	moderate
UK Gov.-Scottish Exec. immigration bilateral	cooperative	moderate

'Character' was used as a short hand way to describe relationships between governments. The terms collaborative, cooperative, competitive or coercive were all drawn from the existing intergovernmental literature (Breton 1985, Scharpf 1988, Watts 1989, Kincaid 1990, as referenced in Watts 2006, Cameron and Simeon 2002). Workability—defined as the degree to which intergovernmental institutions and processes provided a forum to foster cooperation and collaboration, accommodate conflict, and resolve disputes that impeded the effective functioning of the system—was chosen to assess intergovernmental performance in this research. The idea for this performance indicator came from Dupré's work in 1985. It also drew on the work of Breton and Wintrobe (1982), Agranoff (1994), Banting (1998), Johns, O'Reilly and Inwood (2007), Fukyuama (1995), and the OECD (2007). This research took these academic contributions one step further and attempted to *measure* workability in each relevant policy area (as high, moderate or low) by reflecting on how officials directly involved in both sides of the relationship viewed their intergovernmental relationship, especially with respect to trust ties. Not only were civil servants asked to *describe* how they related to their colleagues in the other order of government, probing questions were asked in order to provide evidence of *the degree to which* trust ties existed or not.

What was most evident when comparing the two countries was that in Canada relationships were both bilateral and multilateral, whereas in the UK relationships were only bilateral. It is noteworthy that almost all bilateral relationships in the two

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countries were positive. In Canada, the most problematic relationships were multilateral, illustrating the challenges involved in managing across 14 jurisdictions, as opposed to just four in the United Kingdom.

In the United Kingdom, as could have been predicted given the hierarchy implicit in the devolution settlement, none of the relationships were characterized as collaborative; instead, the term cooperative applied. The exception was the relationship in skills which was identified as coercive, given that UK Government actions sometimes forced the Scottish Executive to do things in skills policy that they would not necessarily have chosen. This is rooted in the UK Government's unwillingness to acknowledge that, with devolution, UK-wide policy making is now different, and that in devolved areas it would be more respectful to the devolved administrations if greater differentiation was made between actions taken for England and actions that are UK-wide. During the period of this research, UK officials did not do this as they perceived it as complicated and unnecessary.

Acknowledging the equality between governments that is implicit in federalism, in Canada most relationships examined through this research were considered collaborative, with two exceptions. The multilateral relationship around immigration issues was considered cooperative as the federal government exerted control in this area. The only relationship that was identified as competitive was the multilateral relationship in labour market issues. Despite the LMDA offer, this research has demonstrated that the forty year legacy of federal-provincial conflict in this policy area has not changed.

What is noteworthy from these results is the degree to which all bilateral relationships managed between sub-state officials and their national office counterparts living within the geographic boundaries of the sub-state (in this case, Scotland and Alberta) were considered highly workable. In all of these relationships, there was routinized and regular informal engagement, often supplemented by more formal committee structures and intergovernmental agreements. This allowed for the development of trust ties between officials that were both extensive and deep. As

officials working for both orders of government shared the same geography, this ensured an enhanced understanding of the issues which governments together must try to solve, within the context of the tools they had at their disposal at the sub-state level. It also provided for enhanced opportunities for developing interpersonal relationships face-to-face instead of on the other end of a telephone, by e-mail, or on a teleconference call. This confirms Dupré's view that geographical proximity enhances trust ties and workability.

In the UK, some elements of this positive relationship were easily explained by the fact that civil servants belonged to the same service, were governed by the same political party, and shared similar norms and values. Although none of these features were evident in Canada, it is noteworthy that during the period of this research intergovernmental administrative actors working within a bilateral context were able to develop the necessary trust ties to sustain positive relationships.

In Canada, all multilateral relationships by definition are managed at a distance, and there the distance is great, especially when for equity purposes meetings are held in all areas of the country. Similarly, in the UK skills and immigration issues are managed between Scottish Executive officials and their Whitehall counterparts living in London. Despite geography, it is noteworthy that workability in all but one case examined through this research was assessed as moderate, meaning that officials had found ways to develop trust ties despite geographic hurdles. In the UK, both governments were highly committed to devolution, and the extra efforts taken by the Scottish Executive to develop its own capacity and build connections with its Whitehall colleagues has had a positive result. They have also been assisted by the rich network of opportunities to engage face-to-face afforded by UK-wide advisory groups and European Union activities. Although Canada did not have these same engagement opportunities with actors external to government, in the disability and immigration areas governments shared similar objectives and the multilateral forums set up to manage their relationships were generally assessed positively.

Not surprisingly, the only relationship examined through this study where workability was assessed as low was in regard to multilateral labour market issues managed through the Forum of Labour Market Ministers in Canada. As outlined in detail in Chapters Four and Five, longstanding disputes over jurisdiction and money in this policy area are at the root of this dysfunctional relationship, exacerbated by its management in close proximity to an even more dysfunctional federal-provincial relationship, that of postsecondary education. The Forum of Labour Market Ministers as a federal-provincial forum sits beside (and Ministers are often involved in both) the interprovincial Council of Ministers of Education Canada. Provincial Education Ministers in Canada refuse to establish an ongoing mechanism to consult with the Government of Canada on postsecondary issues, fearful that an acknowledgement of a relationship would legitimize the Government of Canada involvement in education. Provincial jurisdiction in postsecondary education has been jealousy guarded since the 1960s. Distrust of the federal government in this area continues to the time of writing this thesis, seriously undermining the possibility of collaborative or even cooperative action between Canadian governments in postsecondary education. This created spillover effects on labour market policy, due to the close association of the two policy domains.

This was not the only reason for a dysfunctional intergovernmental relationship in labour market policy in Canada. If the Chrétien Liberal government had followed through on its initial offer to devolve responsibility in labour market policy and had not changed its mind and attempted to take back the field through disengagement and unilateral action, it is very possible that the assessment of workability in this relationship would also have been considered moderate. Instead it was assessed as low over most of the period of this research.

In terms of character and workability in other parts of Canada and the United Kingdom, less can be said. In the UK, collaborative relationships between government departments working in the North East Region of England seemed to exist, although workability was deemed to be low. The refusal by the Government of Canada to negotiate an initial (with Ontario) or devolved (with British Columbia)

Labour Market Development Agreement for most of the period of this research seriously impeded bilateral federal-provincial relationships in those provinces, and also had spillover impacts on all multilateral relationships in labour market policy, including the work of the Forum of Labour Market Ministers. This may change, starting in 2007, since the province of British Columbia has taken over responsibility for the FLMM Secretariat from Ontario.

Political Developments in 2007 and Beyond

This research focused on intergovernmental relations in labour market policy in Canada and the United Kingdom over the period 1996 to 2006. The changes brought about by each country's version of devolution built upon on a pre-existing legacy of how relationships in labour market policy had been managed in each country pre-devolution. Devolution in Canada started late in 1996, with the signing of the Canada-Alberta Labour Market Development Agreement. In the United Kingdom, the changes came a few years later with the establishment, in 1999, of the Scottish Parliament, the formation of the Scottish Executive under the primary control of the Labour Party, and the transfer of staff from the Scottish Office to the Scottish Executive. The end date for this research was 2006, providing approximately ten years to view both the implementation of devolution, and the establishment of new intergovernmental relationships in each country.

Since this research concluded, there have been significant new political developments in each country that could influence intergovernmental relations in labour market policy. In Canada, in January 2006, the federal Conservatives replaced the governing Liberals and formed a minority government. Writing to the Council of the Federation, in January 2006 Prime Minister Stephen Harper said:

> *It is my hope as Prime Minister to initiate a new style of open federalism*[128] *which would involve working more closely and collaboratively with the provinces and the Council of the Federation to develop Canada's social and economic union, to clarify appropriate federal and provincial*

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[128] Open federalism is characterized by a commitment to restore the constitutional balance between federal and provincial governments, a commitment to the notion of strong provinces, a promise to work cooperatively with the provinces, and a promise to limit the federal spending power.

responsibilities, and to resolve the fiscal imbalance between the federal and provincial-territorial governments (Harper 2006).

By early 2007, Conservative plans with respect to skills and postsecondary education had become clear. The March 2007 federal budget committed to increase federal funding to provinces for both skills and postsecondary education. It also committed to a new 'labour market architecture' and offered to negotiate full transfer Labour Market Development Agreements with provinces and territories operating under co-managed arrangements. This will regularize Employment Insurance Part 11 programming across the country, in that all elements will now be provincially-delivered. The Government of Canada also offered all provinces new funding to provide services and supports to non-EI clients, along the lines of the Labour Market Partnership Agreements that had been negotiated between the former Liberal government and three provinces. Finally, they offered to explore with provinces the possibility of transferring other federal programs, such as those currently offered by the Government of Canada to youth, older workers and persons with disabilities. If successfully implemented, these initiatives could remove many of the irritants over jurisdiction described through this research. These changes also signal another substantial federal withdrawal from the labour market policy domain, building upon Liberal decisions outlined through this research.

In the United Kingdom the May 2007 Scottish Parliamentary elections saw the Scottish National Party (SNP) win the most seats and assume control of the Scottish Executive, with its leader Alex Salmond becoming First Minister. In addition, the restoration of the Northern Ireland Assembly, in May 2007, provided the Scottish Executive with a second devolved partner (in addition to Wales) with whom intergovernmental relations could be transacted. The end of Labour domination of both the Scottish and Westminster Parliaments and a drive by the party in power for increased Scottish autonomy could, like in Canada, make intergovernmental relations in the UK more conflict-laden and provide imperatives for seeking alternative mechanisms of intergovernmental accommodation. In addition, the Scottish National Party has committed to establish a devolved Scottish civil service.

In August 2007, First Minister Salmond launched <u>Choosing Scotland's Future: a National Conversation</u> (SE 2007), seeking views on increased devolution, federalism or independence. He also committed to work bilaterally and multilaterally with the Northern Ireland Assembly and British Irish Council to identify areas where they could cooperate and advance their mutual interests. In anticipation of addressing the Northern Ireland Assembly in June 2007 Salmond outlined SNP directions on intergovernmental relations:

> *I have said I'm attracted to reviving the Joint Ministerial Committees that were agreed in 1999 to bring together ministers from London, Belfast, Edinburgh and Cardiff. I think that the idea of having these JMCs at departmental level and plenary sessions is a good way forward...I also recognize that the devolved administrations and Westminster will not always agree on the way forward. Of course they won't. But it's important we have in place structures and processes that allow us to disagree properly, to know where each other stands and to respect that (Salmond 2007).*

These new developments are, in effect, just changes in one variable in each of the case study countries. On the other hand, not all variables are equal, and the policy changes in Canada and the political changes in the UK post 2007 could have far-reaching implications on intergovernmental relations in labour market policy in both Canada and the United Kingdom. In any event, the changes will not adjust the need for a robust system of intergovernmental relations in each country, but may instead insert new dynamics into the relationship including a renewed focus on multilateral relations, especially in the United Kingdom.

Contributions to the Literature and the Development of Theory

This thesis was about a small slice of intergovernmental relations. Unlike most of the existing literature on intergovernmental relations, it did not concern itself with 'high politics' and the big disputes over money, jurisdiction and power that energize First Ministers, Intergovernmental Ministers, and Finance Ministers. It did not focus on the 'big policy issues' of health, environment and economic development which are often controversial and subject to media and academic attention. Instead, the attention was on a small group of people at the bureaucratic civil service level who actually managed the day-to-day interaction between governments within a defined

policy sector in two countries. The policy sector chosen—labour market policy—is particularly complex, given its relationship to other policy domains such as social assistance, immigration, economic development and postsecondary education. The time period under review was not one of crisis: instead, it was a time of 'making things work'.

This thesis sought to shed insight into the often impenetrable and secretive world of intergovernmental relations, and assess the workability of the relationship between government officials involved with labour market policy in Canada and the United Kingdom, including the role of trust ties. The analysis was further refined by comparing what was discovered in one country with another, highlighting the significance of differences in each country's most basic organizing principles. Although many authors had identified the significance of trust ties between officials to the study of intergovernmental relations, no previous attempt had been made to measure the degree to which it existed or not. Although there have been studies of central intergovernmental relations officials in Canada (Pollard B 1986 and Johns C., O'Reilly, P and Inwood G 2007), there has been little focus on the bureaucratic level within a specific policy domain. A focus on intergovernmental administrative actors is important, as these individuals are the carriers of the institutional legacies and provide the crucial technical information, specialist knowledge, and expertise needed to support engagement by their political masters. This study sought to fill these various gaps.

In terms of the development of theory, this thesis confirms that, in parliamentary systems, executives do indeed play the key role in intergovernmental relations, certainly to the exclusion of legislatures and the courts. The UK experience, however, demonstrates that executive dominance does not mean that citizens and stakeholders need necessarily be excluded, as they routinely are in Canada. It is possible to put processes in place to democratize executive federalism.

The research also confirms that how intergovernmental relations in each country works is a direct outcome of key state structures. On the other hand, a common civil

service, supervision by the same political party, or geographic proximity are not necessary features for workable intergovernmental relations between officials who work for different orders of government. The most important factors are consistency between the key players, routinized engagement, predictability and reliability, honesty, respect, capacity and willingness to engage, and transparency. Consistency among the key players enhances personal commitment, and informal connections and a 'safe space' for discussions are necessary for more formal arrangements to be a success. Keeping one's promises is important, as is knowing what others have been promised, and being able to see the outcomes of interventions. Failing to engage as a way to protect jurisdiction or as a way to act unilaterally only exacerbates problems. Although shared objectives make engagement easier, they are not a prerequisite for a positive relationship.

It is much easier to find these factors when relationships are bilateral, involving just two orders of government and, by definition, fewer people. Multilateral relationships are much harder to manage, especially in a country like Canada where the partners consider themselves as equals. Without established and accepted rules of the games or a respected neutral party to broker the relationship, it can take extraordinary leadership at the individual level to move intergovernmental relations beyond what one individual characterized in Canada as a 'group grope'. There was no evidence of this leadership in Canada in this policy area on a multilateral basis during the period of this research. In the view of the author, this confirms Jean Monnet's view expressed earlier that, when dealing with governments that are substantially sovereign in their area of jurisdiction in the context of multilateral relationships, institutions *are* more important than people.

Conclusion

For the author, doing this thesis has provided considerable insight into the often conflicted world of intergovernmental relations in labour market policy in Canada, including what accounts for this conflict. By comparing the Canadian situation to that in the United Kingdom, the significance of differences in the structure of the state, the structure of the policy domain, and the presence of two accommodating

forces found in the UK but not in Canada (the integrating role played by political parties and the civil service) emerged. As the two countries are so significantly different in these areas, it is almost impossible to suggest lessons that one country might learn from another.

On the other hand, this thesis has demonstrated the significance of workability in intergovernmental relations, the role that trust ties between senior officials play in enhancing workability, and that the factors that support or diminish trust ties are universal. Of great interest to the author is how to design formal institutional structures and processes to support the development of trust ties between senior officials in order to enhance workability in intergovernmental relations. Since governments are locked into relationships by geography, and since relationships must be repeated over time, coordination mechanisms must be built to manage a cooperation that is unavoidable.

As this research demonstrates, despite having had over 140 years to develop intergovernmental machinery suited to this role, Canada's intergovernmental accommodation processes in the labour market domain were inadequate for the task, especially the formal mechanisms for multilateral cooperation across orders of government and across policy domains. With the loss of the political-party system as the prime means of intergovernmental accommodation in the UK, governments in that country will also need to consider new and possibly more formal mechanisms and processes for intergovernmental relations. How these existing processes can be modified and replaced with more robust intergovernmental mechanisms that will foster collaboration and cooperation, accommodate conflict, and resolve disputes which impede the effective functioning of the system is a unique challenge facing both countries over the coming years.

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APPENDIX 1: INTERVIEW SUMMARY

Category	London	Scotland	Other	Ottawa	Alberta	Other Canada
Senior policy civil servants	Director Policy, DWP Director Europe, DWP	Head, SETLLL	Head, EES, Brussels	ADM, HRSDC ADM, HRSDC ADM, CIC	ADM, AHRE ADM, Education DM, Children's Services	ADM, BC Employment & Income Assistance
Other policy civil servants	Team leader, DWP Manager, DWP Manager DfES	Manager, SETLLL Team Leader, SETLLL Team Leader, SETLLL Manager, SI Manager, SETLLL Manager, SETLLL Manager, SETLLL Mangers, SETLLL Manager, CS Manager, Finance			Ex. Dir., AHRE Manager, Seniors	
Dedicated policy IGR staff	n/a	n/a		Director, HRSDC	Ex. Dir, AHRE Sen. Mgr, AHRE Manager, AHRE	Director, Ontario Training, Colleges & Universities
Civil servants at the centre	Director, Constitutional Affairs	Head, UK Liaison SE Manager, SE Head, Legal, SE		Director, Privy Council Office	ADM, Executive Branch	
Regional civil servants/executive agency staff		Manager, Scot. Ent. Manager, HIE Head, JC+ Coordinator, JC+ Coordinator, JC+ Coordinator, DWP Official, JC+ Official, SO	Manager, JC+ Sheffield Manager, JC+, Newcastle		Manager, AHRE Ex. Dir, Service Canada Manager, Service Canada Director, CIC	
Ex civil servants				Director, HRSDC DM, BC Social Services	DM, Alberta ADM, Alberta	Director, Ontario Social Services

Stakeholders/Advocates/ Other	Chair, Disability Emp Ad. Comm	Manager, Joined up for Jobs Manager, COSLA Manager, City of Edinburgh Director, Poverty Alliance		Exec. Dir, SSA Director, CLBC	Ex. Dir, Ottenow VP, Bow Valley College	MP, Victoria
Experts		Academic, Education, U of E. Academic, Employment Inst. Napier University	Academic, Leeds Academic, UCL Academic, Newcastle	Director, CPRN Pres, Caledon VP, CCSD	Employment Consultant	Director, IIGR Queens Academic, York

Acronyms in this chart not included in listing on page 9 and 10

CLBC	Canadian Labour and Business Centre	CCSD	Canadian Council on Social Development
CPRN	Canadian Policy Research Networks	CS	Communities Scotland
IIGR	Institute of Intergovernmental Relations	MP	Member of Parliament
SI	Social Inclusion	SO	Scotland Office
VP	Vice President	UCL	University College London
U of E	University of Edinburgh		

APPENDIX 2: DATA CATEGORIES

1. Political actors: interests (includes political will), expectations (from IGR process) values (includes attitudes), personal experiences, capacity
2. Overall country context: role of political parties, courts, legislators, finances
3. Labour market history, significance
4. Division of powers, roles & responsibilities
5. Issues
6. Other actors: business, labour, think tanks, civil society, advisory groups, media, other departments, other governments, legislators
7. Independence
8. Interdependence and need to exchange resources (money, authority, information, organizational, public opinion, political support, skills and expertise, size & wealth, rules of the game), availability and substitutability
9. Hierarchy: authority, control, compliance, accountability frameworks, reporting, audit, whether reactive or not.
10. IGR structure: bilateral or multilateral; p/t or f/p/t; formal vs. informal; which issues go to which forum; access by other parties
11. Purpose of IGR: shaping, implementing, exchanging info, sharing resources, coordinating action, influencing behavior, challenging behavior, protecting jurisdiction, resolving conflict
12. Strategies and tactics: arenas; bilateral vs. multilateral; alliances and coalitions; which forum; use of stakeholders
13. Formal IGR machinery: forums, agreements, secretariats
14. Informal IGR
15. Character of IGR: cooperative, collaborative, competitive, coercive
16. Workability: regularity of engagement; commitment to engage; communications; trust ties; narrow agendas; positive history; minimized grievances; shared objectives; recognition of interdependence; honesty; integrity; mutual respect; stable structures; personality; ability to accept flaws; creative ambiguity
17. Has devolution made a difference?
18. How is Alberta/Scotland different from other sub-states?
19. Sub-state or central capacity for policy making/implementation.
20. Decentralization vs. centralization.