



# Institute On Governance

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*Social Policy Leadership  
in a Federal State:  
International Lessons for Canada*

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The Institute On Governance (IOG) is a non-profit organization founded in 1990 to promote effective governance. From our perspective, governance comprises the traditions, institutions and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern.

Our current activities fall within six broad themes: citizen participation, Aboriginal governance, building policy capacity, accountability and performance measurement, governance and the web, and youth and governance.

In pursuing these themes, we work in Canada and internationally. We provide advice to public organizations on governance matters. We bring people together in a variety of settings, events and professional development activities to promote learning and dialogue on governance issues. We undertake policy-relevant research, and publish results in the form of policy briefs and research papers.

You will find additional information on our themes and current activities on our website, at [www.iog.ca](http://www.iog.ca).

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by Mark Schacter (April 1999)

**Policy Brief No. 2: Public Good, Private Gain: Senior Bureaucrats and “Exemplary” Companies in Canada**, by Mark Schacter (April 1999)

**Policy Brief No. 3: Means... Ends... Indicators: Performance Measurement in the Public Sector**, by Mark Schacter (April 1999)

**Policy Brief No. 4: Building Trust: Capturing the Promise of Accountability in an Aboriginal Context**, by John Graham (May 1999)

**Policy Brief No. 5: Youth Involvement in Policy-Making: Lessons from Ontario School Boards**, by Elder C. Marques (July 1999)

**Policy Brief No. 6: "Capacity Building": A New Way of Doing Business for Developing Assistance Organizations**, by Mark Schacter (January 2000)



## Background<sup>1</sup>

The shift in Canada's fiscal situation from deficit to handsome surplus has the potential to fundamentally alter relations between the central government and the provinces. With the center in a position to provide additional programme funding, important questions need to be addressed about the role that the different levels of government should play in social policy. The collaborative tone set by last year's Social Union Framework Agreement (SUFA) has the potential to provide the necessary conditions for fresh thinking about how social policy addressed in Canada.

Observers point to a trend in Canada in recent decades of declining federal influence in social policy.<sup>2</sup> The central government has been viewed increasingly as a source of funds for the social sector, with matters of policy, programming and implementation seen as the preserve of the provinces. The central government's reticence vis-à-vis the provinces is most often explained on constitutional grounds: a question of provincial vs. central jurisdiction.

But growing concern across the country about health care and education, and rising unease over a range of social policies affecting Canadian families, suggest a need for the federal government to exercise leadership in ways that provinces, acting separately, cannot.<sup>3</sup> Canada's Health Minister said as much recently, arguing that the need to reform healthcare in Canada "is beyond jurisdiction ... It has to do with the

national undertaking that is the closest to the heart of this country's sense of self."<sup>4</sup>

This Policy Brief outlines ways in which central governments in federal states have been seen to play a leading role in social policy without formal jurisdictional control. International cases suggest that a combination of political will and a commitment to consensus-building can allow central governments to provide such leadership.

To understand the range of options before the federal government, the IOG researched international cases that seemed to offer relevant lessons. Of interest were federal states where important aspects of social policy were exclusively or largely the responsibility of sub-national (i.e. state or provincial) governments. Of these, Australia, Germany, Switzerland, and the United States were particularly relevant. Unitary states that have decentralised social policy responsibilities to the municipal level, such as Sweden, also exhibited characteristics of intergovernmental relations that should be of interest to Canadian observers. The study focused on Australia, the United States, and Sweden.

## Levers and Instruments

The Institute's research identified three largely interdependent policy levers that can be used by central governments to exercise leadership in social policy:

- **funding allocation;**
- **monitoring of system performance;**
- **articulation of a national vision.**

Within each of these levers is a series of policy instruments that range from high to low degrees of activity on the part of central governments. The success of federal leadership would appear to depend not only on each of the levers independently, but also on the degree to which they are deployed together to form a coherent national policy.

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<sup>1</sup> Research for this paper was supported by the Learning and Literacy Directorate of Human Resources Development Canada.

<sup>2</sup> Paul Barker, "Disentangling the Federation: Social Policy and Fiscal Federalism," in Martin Westmacott and Hugh Mellon, eds., *Challenges to Canadian Federalism* (Scarborough: Prentice Hall, 1998).

<sup>3</sup> Jane Jenson with Sherry Thompson, *Comparative Family Policy: Six Provincial Stories* (Ottawa: Canadian Policy Research Networks, 1999). Last year, a *Globe and Mail*/Angus Reid poll found that a majority of Canadians agreed that "The state of the family today is a national crisis." *Globe and Mail*, Sept. 15, 1999.

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<sup>4</sup> "Rock Proposes New National Health Plan." *National Post*, Jan. 27, 2000.

<b>A. FUNDING ALLOCATION</b>
<ul style="list-style-type: none"> <li>• Direct jurisdictional control of funding decisions</li> <li>• Provision of conditional grants</li> <li>• Joint administration of funding</li> <li>• Non-core funding provision (voluntary programmes)</li> <li>• Unconditional funding</li> </ul>
<b>B. MONITORING OF SYSTEM PERFORMANCE</b>
<ul style="list-style-type: none"> <li>• Enforceable national system performance standards</li> <li>• National report</li> <li>• Promotion of standards at sub-national level</li> <li>• Basic data collection</li> </ul>
<b>C. ARTICULATION OF A NATIONAL VISION</b>
<ul style="list-style-type: none"> <li>• Articulation of national priorities, values, objectives</li> <li>• Recognition of successful models and practices</li> </ul>

### **A. Funding Allocation**

Different constitutional and administrative frameworks allow for varying degrees of central government jurisdiction in this area. In some cases, central governments exert direct jurisdictional control while in others they provide unconditional funding to sub-national units. Between these extremes are a series of arrangements within which funds are jointly administered by both levels of government and, in some cases, by other stakeholders. Central governments can also provide non-core funding for special projects or initiatives.

In Australia, the federal government provides its share of vocational education and training funding to the Australian National Training Authority (ANTA), an intergovernmental agency that also includes industry representation. Provision of funding from the central government is accompanied by significant participation in decision-making regarding spending priorities and strategic directions. The arrangement was developed in 1992 and has allowed for progress on mutual recognition of qualifications, more equitable

funding, and quality assurance mechanisms within the training system. In primary and secondary education, the central government has also independently used funds to develop a national civics curriculum and drug use prevention materials. These are not mandatory, but states and territories can use them to supplement their own curricula.

The United States government has a long history of providing conditional grants to states for education, but the last thirty-five years represent a particularly intense period of conditionality. The 1965 *Elementary and Secondary Education Act* (ESEA) provided funding for programmes directed at key groups, such as low-income students, or specific spending areas, such as library resources and remedial education programmes. More recent legislation has required the development of state standards and goals, and has put pressure on states to examine accountability between school districts and state education departments. The federal government has also funded the development of non-mandatory national content models and standards.

### **B. Monitoring of System Performance**

Central governments can play a role in shaping social policy priorities through performance measurement. They can co-ordinate the development of comparable indicators among sub-national governments and help define long-term goals and targets. In Canada, for example, the federal government is uniquely placed to report on system performance in different provinces and territories, a process that would allow it to highlight strengths and weaknesses and set objectives for improved performance.<sup>5</sup> SUFA explicitly refers to performance measurement as a key priority area for social policy. The Auditor-General made headlines last year with a report criticizing the federal

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<sup>5</sup> For a convincing argument that national standards are incompatible with completely decentralised decision-making in social policy, see Roger Gibbins, "Decentralisation and National Standards: 'This Dog Won't Hunt,'" *Policy Options*, vol. 17, n. 5, June 1996.

government for not knowing how much it spent on health care, for not being able to effectively gauge provincial and territorial compliance with the *Canada Health Act*, and for not using the full range of enforcement mechanisms at its disposal.<sup>6</sup> If performance measurement regimes are going to be implemented successfully in social policy areas, governments must commit themselves to provide resources for accurate data collection, comparability, and public reporting of performance that is accessible to citizens.

Australia, which shares Canada's largely decentralised social policy framework and its history of jurisdictional tension between competing governments, has been able to develop performance measurement mechanisms in social policy areas. It has done so through collaboration with other levels of government. Since 1989, an intergovernmental education body, which includes central government representation, has produced the *National Report on Schooling*.<sup>7</sup> More recently, a second intergovernmental group has steered the production of the annual *Report on Government Services*, which examines federal and state performance in sectors including health, education, community services, and housing. The research is carried out by the Productivity Commission, an independent federal agency that enjoys a reputation for neutrality.<sup>8</sup>

These reports have important effects on social policy in Australia. They provide:

- A national vision of what effective social programming should look like;
- A national overview of the strengths and weaknesses of social programmes;

- Momentum to public demands for performance data and comparable indicators;
- Information that empowers citizens and helps educate public opinion;
- Opportunities for cross-jurisdictional communication and collaboration.

States and territories participate in these joint initiatives because they also provide:

- Information for central agencies to make funding decisions about their line departments;
- A response to public demand for comparability;
- Reliable data for outcome-based budgeting.

In the United States, the federal government funds data collection and comprehensive studies in social policy areas like health and education. The National Assessment of Educational Progress (NAEP), known as the Nation's Report Card, has tracked student performance for over thirty years. The federal government has also introduced legislation requiring the development of state standards and assessment mechanisms to monitor and report on performance.

It is important to recognise that performance reporting can minimise the need for heavy-handed enforcement policies. In Sweden, a unitary state in which many social services have been devolved to municipalities, the central monitoring role has not included the imposition of penalties. Municipalities are responsive to public reaction to poor performance, and work hard to make sure that they meet national standards. Officials at the municipal level also fear that poor system performance reflects badly on their individual performance as employees, and are thus motivated to meet and exceed expectations.

### **C. Articulation of a National Vision**

The elaboration of a national vision for social policy is a role that only central governments can play effectively. In Canada, identifying priorities, core values, and specific performance targets and conveying this vision to the

<sup>6</sup> Auditor General of Canada, *Report of the Auditor General of Canada to the House of Commons*, Volume 2, September and November 1999 (Ottawa: Minister of Public Works and Government Services Canada, 1999). See "Chapter 29: Federal Support of Health Care Delivery," released in November 1999.

<sup>7</sup> See <http://www.curriculum.edu.au/mceetya> for information about the Council and its publications.

<sup>8</sup> See <http://www.pc.gov.au/service/index.html>.

population is a role that intergovernmental groups have been unable to play.

By communicating to the public the importance of social policy to economic competitiveness and standards of living, central governments in some countries have been able to encourage enhanced performance of social programmes. In both Australia and the United States, the development of national goals in education has led to the development of performance measurement mechanisms to gauge progress in those areas. If sub-national units collaborate in the development of goals or a national vision, even vague statements can hold officials accountable and increase public pressure for performance measurement.

### **General Lessons**

The research demonstrates that successful federal leadership in social policy is not determined exclusively by jurisdiction. In fact, central governments can play important leadership roles provided that they have the requisite political will and the ability to collaborate with other governments. If handled properly, central social policy leadership which relies on the use of three levers can benefit citizens by providing a vision of social programming that no other institution can articulate. At the same time, respecting jurisdictional constraints and allowing for experimentation at the sub-national level leaves room for regional autonomy. Six key lessons were identified for successful central government leadership in social policy:

#### **1. Developing Values, a Vision, and Goals**

To establish a role in social policy, central governments must be able to elaborate a national vision that resonates with other orders of government and the general public. The importance attached to social policy issues by the public should not be dismissed. The federal government is uniquely placed to provide national leadership and to speak for all Canadians without being constrained by parochial interests. In both Australia and the

United States, popular perceptions about the importance of education to quality of life has helped overcome narrow interpretations of jurisdiction. The development of a national vision, and specific goals and targets, has provided momentum to encourage innovation at the state level while developing comparable performance measurement regimes.

#### **2. The Importance of Funding**

To develop credibility, particularly with other governments, a commitment to articulating a national vision for social programming must be accompanied by the readiness to invest financially in these areas. In Australia, the government succeeded because it offered new funding at the same time that it assumed a leadership role in social policy development. In Canada, the inability of the Social Security Review and the National Forum on Health initiatives to enjoy provincial support in the mid-1990s can be explained by the fact that they were undertaken at a time when the federal government was reducing transfer payments.<sup>9</sup>

#### **3. Respecting Jurisdiction, Promoting Creativity**

While a strong central government role in social policy can be valuable, it will only be sustainable if undertaken with respect for sub-national jurisdiction. This means that political will must exist at the centre to build consensus with sub-national governments and develop frameworks that involve joint decision-making. The central government must be willing to provide incentives for collaboration, such as funding and flexible mechanisms within which sub-national units retain the ability to experiment with innovative programming.

#### **4. Legitimising the Federal Voice**

Successful central social policy leadership requires an institutionalised setting where officials at the federal level can legitimately advance concerns and make proposals. In Australia, central government participation in intergovernmental bodies dealing with social policy has allowed the central government to

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<sup>9</sup> Paul Barker, pp. 151-152.

build relationships with stakeholders and develop a public profile. The absence of a “political space” for the federal government in Canadian social policy has made leadership in this area difficult.

### **5. The Value of Performance Measurement**

Effective performance monitoring and national reporting, as evidenced by the Australian monitoring initiatives, is an important tool in developing national social policy coherence. Through involvement in the selection of performance indicators, central governments can actively shape social policy. If based on a framework that includes input from the sub-national units, and carried out by a credible agency, performance monitoring provides governments with important data, encourages the development of comparable performance indicators in other fields, highlights success stories, and empowers the public to exert

### **6. Being Comprehensive, Remaining Coherent**

Leadership exerted by relying exclusively on one of the three policy levers will not allow

central governments to reach their potential as leaders in social policy. The interaction, and compatibility, of efforts in each area is central to the development of a coherent national vision. For example, the articulation of vision statements or targets without adequate funding or a performance measurement regime will result in a loss of credibility.

### **Conclusion**

Providing leadership in social policy is as much a matter of political will, persistence, and openness to consensus-building as it is a question of jurisdiction. In Canada, the SUFA provides new opportunities for consensus-based approaches to social policy. As the Canadian Health Minister said, in reference to the need for healthcare reform, “Now is the time to take the social union framework out of the garage and give it a test drive.”<sup>10</sup> The three policy leadership levers described above should have a central place in the roadmap.

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<sup>10</sup> *National Post, supra.*