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**SADLY OFF IN ALL DIRECTIONS:
The Federal/Provincial Dynamic in Postsecondary Education Policy
since the Canada Health and Social Transfer**

A thesis submitted to
the Faculty of Graduate Studies
in partial fulfilment of
the requirements for the degree of

Master of Arts

Carleton University
Ottawa, Ontario
1 August 1998

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**SADLY OFF IN ALL DIRECTIONS:
THE FEDERAL/PROVINCIAL DYNAMIC IN POSTSECONDARY EDUCATION
POLICY SINCE THE CANADA HEALTH AND SOCIAL TRANSFER**

submitted by

Kevin Dorse, B.A. Hons.

in partial fulfilment of the requirements
for the degree of Master of Arts

Chair, Department of Political Science

Thesis Supervisor

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September 23, 1998

ABSTRACT

Picking up where many writers have left off in talking about the Canada Health and Social Transfer (CHST), this paper examines the individual priority-setting experiments which the provinces have been engaged in, specifically regarding postsecondary education policy. It observes some of the radical changes being pursued in this critical area and argues that they are being fuelled by the CHST, and that this in turn is threatening the poorly acknowledged pan-Canadian “system” of PSE – characterized by harmonization, integration and predictability.

The CHST has promoted an agenda of decentralization, disharmonization and downward harmonization in PSE policy which is not entirely consistent with the history of fiscal federalism. Case studies provided by the provinces of Ontario and Québec reveal how some provinces are remoulding their PSE policies to fit with narrow and largely divergent agendas. Assuming a continued process of inter-provincial emulation, these changes will prove the virus to incapacitate the already weakened system.

ACKNOWLEDGEMENTS

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Ample thanks goes to those who were integral to the (longer than intended) process which produced this thesis, including Dr. François Rocher, the staff of the office of the Honourable Lorne Nystrom, MP, the Library of Parliament, and to my parents, who have successfully demonstrated their own commitment to higher education.

Finally, it is fitting to acknowledge the students, faculty, administrators, public officials, and private citizens, who, through their actions, solidarity, vigour, compassion and occasionally good humour, have fought to protect and to further the public financing and administration of postsecondary education throughout Canada.

All errors herein are of course, my own.

“There is no test of the good society so clear, so decisive, as its willingness to tax in order to develop and sustain a strong education system for all its citizens.”

- John Kenneth Galbraith, *The Good Society*

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CHAPTER ONE — Introduction

I. Introduction

Public policy, properly defined, includes both the actions and the inactions chosen by government to bring about one or more specific anticipated outcomes. The Canada Health and Social Transfer (CHST) -- the new arrangement reached by the federal Liberal government in the 1995 budget for sharing revenue with the provinces for health, postsecondary education and welfare -- is best understood using both components of this definition. The anticipated outcome for the federal government was mainly to reduce its overall spending on social programs and to give the provinces greater control over how they were to be managed. Bringing this about required both action -- the grouping of the three transfers into a single block transfer and the simultaneous reduction of over \$6 billion dollars from the previous arrangements -- and of inaction -- the refusal of the federal government to insist that mutually agreed upon conditions be prescribed to the PSE component, as is the case for health, and to a lesser extent welfare.

The fiscal reductions, following on a series of tinkering measures made to reduce the cost of federal transfers throughout the 1980s and 1990s, have constituted a terrible hit on the treasuries of the ten provinces. Targeting the three shared cost programs, the federal government has depleted the most expensive programs among the responsibilities of the provinces (excluding primary and secondary education, which are expensive but not directly affected). An incremental and hurriedly improvised mechanism for distributing Ottawa's transfers, the CHST formula "lacks all rhyme or reason other than it is based on the sum of the previous Canada Assistance Plan and Established Programs Financing transfers."¹ This fact, combined with the failure of Ottawa to indicate initially how the program would work in future years, or how far the cash component (in contrast to the tax-point component) could fall, effectively subverted the predictability of the transfers and has left provincial budget

¹ Michael Mendelson, *Looking for Mr. Good Transfer: A Guide to the CHST Negotiations* (Ottawa: Caledon Institute). Internet. Available: <http://www.cyberplus.ca/~caledon/full82.htm>.

planners in uncertain territory and fearing for the worst.

As a sort of trade off for the reductions in transfers, Ottawa also acceded to the demands of a few provinces, most notably Alberta, Ontario and Québec for greater autonomy in the shared areas covered by the CHST. The effect of this was to sideline the concerns of some in the Canadian PSE policy community that the absence of standards or guidelines was already resulting in unevenness in provincial funding and inadequate integration in higher education. The possibility of a federal “Higher Education Act,” spelling out the shared objectives of the sector, and establishing accountability for provinces to meet these aims in the same way they do for health care was simply not in the cards in the winter of 1994-95. Instead, through the CHST the Liberal government chose a path of greater decentralization, by allowing the provinces to pursue greater innovations in social policies, while at the same time grabbing away public funds to aid in this process. Provincial innovation in this scenario has been couched on the perverse motto of “doing more with less,” which at its essence means that some programs will continue to benefit from sustained public funding while others must make do without. Specifically, in provincial cabinet discussions, PSE has been up against health care and welfare programs which enjoy greater protection under federal legislation, and in the case of health have a much more robust and vocal constituency to protect it against CHST-inspired cuts-backs.

Across the country, and with few exceptions, provincial governments are revisiting their fiscal and political commitments to public higher education. Newspapers and professional publications are reporting not only how universities and colleges are having to make do with decreased provincial transfers, but also a litany of the resultant problems: dilapidating infrastructure and resources for teaching and research; the inability to attract and retain expert faculty, evoking trendy disputes over the “brain-drain;” fewer resources for student services and “in-house” awards, inspiring increased student disaffection with institutions; as well as a greater movement to private funding, causing many to broach a larger pattern by calling attention to the increased commercialization of campuses. For at its core,

the removal of provincial transfers to institutions need not only be the banal response of provinces to the CHST, it may also be indicative of a greater threat, that being the endangering of the public role in higher education.

At first, such alarm seems imprudent and even hysterical. Provincial governments are having to take fiscal measures which are at worst in reaction to federal cuts and the general deficit crisis that affects all provinces. There is nothing to indicate that these cut-back measures will be permanent. True, but in some jurisdictions there is no more of an indication that the lasting effects of this round of cut-backs will not be permanent, informed by the fact that governments have chosen to institutionalize the effect of these reductions. A critical analysis of the CHST must account for not only its fiscal impact, but also the decentralizing effect it has had by increasing the autonomy of the provinces in the design and delivery of social programs. PSE policy has been indirectly impacted by the freedom provincial governments now have over health and welfare. Rebalancing the costs of social programs has in a few provinces meant revisioning little less than the entire philosophy of public higher education. Some jurisdictions have chosen to simply increase the cost borne by individuals through massive tuition increases, some nearing almost 200 percent in two years and placing a greater emphasis on student assistance. Others have placed restrictions on the benefits of their PSE programs, specifically aimed at disadvantaging out-of-province students who have not contributed to the provincial tax-base. By way of contrast, others have taken no such route and continue to maintain existing levels of funding, or have indicated only modest regulations to help universities and colleges through a temporary public drought. The variances in policy revisions are this austere and are attributable to a complex mix of social, cultural, political, ideological as well as fiscal factors resident in the provinces.

II. Identification of the problem

Postsecondary education in Canada has developed as the result of concerted federal and provincial cooperation. It has developed through the sharing of jurisdiction, by opening wider the constitutional authority of the provinces to alone oversee and make policy

pertaining to education, and by the sharing of the robust resources of the federal government, attributable to its larger and stronger tax base. This philosophy which has so aided the growth of PSE policy from a narrow private enterprise to a public instrument for the advancement of the arts, humanities, sciences and trades in all provinces, emerged from a pithy sense of commonwealth shared by governments. This sense however, like the defining parameters of the federation is itself in a great deal of flux: expanding and contracting from time to time and from issue to issue. The definition of what remains shared, and under what conditions it may be so, appears to be shrinking, with the trend towards a greater emphasis on provincial consolidation and the retraction of federal spending in “provincial jurisdiction.”

PSE policy has been an important piece in this rebalancing of the federation. Historically, changes which have been made to the succession of federal-provincial arrangements over cost and jurisdictional sharing have had an impact on higher education policy. While early federal spending was sporadic, the first long term transfer system to universities in 1956 gave public institutions greater confidence and helped to spur their growth. The following transfer systems allowed the provinces to direct the progress of their own PSE sectors, which resulted in a surprisingly similar trajectory in all ten provinces. Subsequent changes to the transfers served to signal the slowing of the Canadian welfare state, culminating in deficit-inspired cut-backs which imperilled this trajectory and the larger Canadian social union.

Following in the evolutionary pattern which the generations of transfer systems have had on PSE policy in the provinces, its latest incarnation, the Canada Health and Social Transfer is having a detrimental impact on the pan-Canadian system of PSE which has grown-up under the transfers. The fragile system, evidenced by policy harmonization, integration and predictability in higher education from province to province, has emerged not entirely from federal intervention, but by a historic convergence of provincial objectives for the sector. Under a weaker and less wealthy transfer system; one which creates advantages for provinces who pursue less expensive avenues for higher education and penalizes the status quo, can

Canadians be reasonably optimistic over continued convergence?

III. Overview

This paper is organized into the five following sections. Chapter two will explore the historical development of postsecondary education as a public policy area in Canada. It marks the trajectory of the evolution of our colleges and universities from private church-run institutions with little scope, inclusion and funding, through their renaissance as publicly controlled, provincial institutions of higher education, beginning with the University of Toronto in 1868 and spreading to the other provinces shortly thereafter. Sophisticated and increasingly expensive, the sector matured and grew rapidly under the guidance and subsidy of both orders of government, though becoming increasingly protected as a provincial responsibility.

Chapter three examines the origins and characteristics of the pan-Canadian system of PSE policy. It looks at the objectives attributed to the federal transfers and how these have become appropriated by all levels of government and are today among the imperatives of PSE policy. The system, though rarely considered by most analysts, is fleshed out here based on academic observations on policy harmonization, integration, and predictability. Theory on the emerging impacts of the CHST towards decentralization, policy disharmonization and downward harmonization are also explored.

The fourth chapter describes the evolution of fiscal federalism as it relates to federal transfers to the provinces for PSE. It considers specific developments since the creation of the *Federal-Provincial Arrangements Act* in 1967, the rationale behind each change and its consequent impact on the evolution of provincial PSE and the larger system. Zeroing in on the CHST, as the latest manifestation of federal-provincial relations, it considers the unique and immediate motivations for such a dramatic shift, largely based in new economic and constitutional demands. Following on this, the chapter considers how the CHST is influencing provincial decision makers and bringing about outcomes in PSE policy which may not have been originally anticipated.

Giving greater and more detailed analysis of these trends, chapter five provides case studies of the two largest PSE sectors in Canada, Ontario and Québec, in light of the CHST. It will examine the critical policy changes being adopted in both cases and consider how these result from reduced transfers and increased provincial autonomy. To explain the unique character of these divergencies, we shall examine how the provincial governments are in either case approaching public higher education from a peculiar ideological framework, thereby introducing parochial or unfamiliar objectives into the sector.

The final chapter concludes by considering the overall findings of this study, and by speculating on their likely consequences for fiscal federalism, provincial PSE policy and any future notion of the pan-Canadian system of higher education.

CHAPTER TWO — Historical Development of Postsecondary Education Policy

I. Introduction

Postsecondary education in Canada has long been a work in progress. Nationally, it has lacked any consistent defining vision and has repeatedly been the subject of study and revision in almost every province at one time or another. Government policy for universities and colleges, research and student assistance has often undergone fundamental and substantive alterations in its philosophy and its approach, all on a scale rarely seen in any other social policy area. For instance, administration of most postsecondary institutions changed from private hands (largely denominational) to public control in the middle of this century, and is now leaning again towards private influences in many jurisdictions. For funding, it has relied on varying combinations of user fees from students, philanthropy of the community and alumni, and grants of public money from federal and provincial governments; the latter of which has tended to change with the political winds. The responsibility has also been passed back and forth and shared between levels of government depending upon the available resources of the day, as well as the political will of the governments involved to impart their own direction on colleges and universities.

Despite of all this seeming confusion and indecisiveness, the history of higher education in Canada appears surprisingly predictable, not a temporal predictability of one era necessarily dictating the next, but rather the concurrent predictability of parallel development. In other words, it has been possible to look at events in postsecondary education in a particular province and see, in all but the most exceptional cases, a similar pattern of development concurrently, or following shortly thereafter in virtually all other provinces.

The reasons for such a trend has to do with the importance at different times of federal leadership in the sector; of provinces emulating the successes, and occasionally the failures of one another; and of provinces working in concert to integrate their PSE systems, usually on a regional basis.

This chapter will broadly examine the events which marked these periods in the

historical context of higher education development in Canada. Considering the role played by governments, both federal and provincial; governments acting independently and cooperatively; as well as other actors - typically private influences, as well as universities and colleges themselves, we are able to define three general periods in the development of PSE.

The earliest of these periods is one marked by the existence of very few institutions of higher education, most privately controlled by churches, with all but the most modest government intervention, but giving way by the turn of the century to the idea of the public university. Following from this and the intervening world wars, was a period of increased public attention and investment in postsecondary education, enabled by Ottawa's constitutional power to tax directly and indirectly, compared to provincial direct taxation power and the wide disparity in the wealth of the provinces. This period of pragmatism was, for better or worse, more concerned with pursuing policy objectives than it was with the underlying constitutional definition of provincial authority over education. What has come to be known as the period of rapid growth followed from there, marked by increased overall funding used to establish new institutions of higher learning across Canada underpinned by federal-provincial cost-sharing agreements reached for the PSE.

These historical periods are distinguished by changes in the relations between governments, and in the relationship between governments and higher education policy. Each alteration brought with it a new philosophy through which to direct the sector as well as constraining or empowering public policy makers, policy actors and institutions. Such a process has the remarkable effect of legitimizing some actors in the PSE process at some times, and not at others, or of conferring legitimacy on a certain pattern in the policy process differently at alternative periods. Historically, jurisdictions have explored variation in questions of institutional funding, student funding, institutional administration and program delivery for the sector. Of interest is the process by which these trends have been emulated in virtually every province.

II. PSE: A Constitutional Law Issue

The federal division of powers set out in the 1867 BNA Act may have granted authority over education to the provincial legislatures, it would not be the final word on this policy area. Given the larger questions facing a largely agrarian, pre-industrial state precariously poised north of an expansionist United States, the matter of education was left largely to the devices of the provinces. Country-building at this time was focussed on developing the state, attracting pre-skilled immigration, and rationalizing the domestic economy. For the most part, education in much of English Canada, more so of higher education, would remain what it had been in colonial era, that being “modelled as far as possible on the ‘public’ schools of England, meant for the education of gentlemen, and part of a larger project of building a colonial aristocracy.”¹ In Québec the universities and colleges were very much an extension of the Roman Catholic church, the best example being the first university on Canadian soil, the Petit Séminaire founded in 1663, later to become Québec City’s Laval. Again, the primary responsibility of these institutions was seen as perpetuating French Canada’s religious and political elite.

British North America Act

Upon Confederation in 1867, the four provinces of Canada emerged in a new federal framework enjoying expressed powers over education, while at the same time inheriting preexisting colleges and universities — all of which were private institutions. The division of powers in the British North America Act gave special consideration to the area of education, indicated in part by its exclusion from sections 91 and 92, which respectively enumerate federal and provincial responsibilities. Section 93 declared that apart from abrogating the existing rights and privileges of Catholic and Protestant denominational schools, the provinces were empowered to “exclusively make Laws in relation to Education.”

¹ David M. Cameron and Diana M. Royce, “Prologue to Change: An Abbreviated History of Public Policy and Postsecondary Education in Ontario,” *Excellence, Accessibility, Responsibility: Report of the Advisory Panel on Future Directions for Postsecondary Education*, Advisory Panel on Future Directions for Postsecondary Education (15 December 1996) 68.

No explicit mention was made of universities, colleges or of higher education in general. It is not the case that the distinction of “higher” education was not made, or that it was not considered to be of importance either. The text of the 1864 Charlottetown Conference recognized higher education separately and furthermore had assigned it to the list of federal responsibilities. As few as two years later, this distinction would be abolished in the Québec Resolutions; a decision which was perpetuated in the BNA Act. Though it is not possible to know with any certainty what case was put forth in 1864 and ultimately countered by the drafters of the 1867 Act, there is enough evidence from this example to prove that postsecondary education was the subject of both thought and second thought. As the *Report of the Commission on the Relations Between Universities and Governments* concluded in 1970,

Even if university education at the time did not seem as important as it is today, it is nevertheless difficult to sustain the thesis that the framers of the BNA Act of 1867 had not intended to include higher education in section 93, or had forgotten to do so.²

In the estimation of David M. Cameron, it was the “religious and linguistic sensitivity of the subject and the small size of the institutions (only Laval, McGill, Toronto, Victoria [College] and Trinity [College] had as many as 100 students in 1867)³” which prescribed higher education as a matter for the “local”, or provincial governments.

For much of the period immediately following Confederation, federal intervention in postsecondary education was more often the exception than the rule. Little consideration was given in Ottawa to the lack of predictable funding, nor did it have any say in program delivery or curriculum. As Donald Savage and Richard Bellaire acknowledge,

from confederation in 1867 until the Second World War, the federal government gave various ad hoc grants for postsecondary education, while on the other hand,

² René Hurtubise and Donald C. Rowat, *The University, Society and Government: The Report of the Commission on the Relations Between Universities and Governments*, (Ottawa: University of Ottawa Press, 1970) 130.

³ David M. Cameron, *More than an Academic Question: Universities, Government and Public Policy in Canada* (Halifax: IRPP, 1991) 19.

constitutional expertise favoured the view that education, including postsecondary education, was the exclusive responsibility of the provinces. It does not appear that the fathers of confederation really foresaw university education as other than a private responsibility with an occasional helping hand from government for specific projects.⁴

The exact dimensions, jurisdictional, political and practical of "education" still remain unclear, particularly around higher education. Some have argued that the Canadian constitution in no way prohibits a federal role in PSE, and that education may in fact be a concurrent power (jurisdiction shared by both federal and provincial levels of government). However, this matter is, for the most part, a constitutional question best left to students of law and for the courts to arbitrate. As a 1991 paper by Robert Stewart describes:

A reading of Section 93 does not produce a clear answer to [the concurrence or exclusive jurisdiction of education]. Case law to date does not either, because so far, the Court has not decided, nor has it been asked by either order of government for decisions on specific postsecondary questions in constitutional law. For some officials, . . . the matter seems to be a non-issue, because of federal jurisdiction in components of postsecondary education. Thus *pro forma* rhetoric to the contrary, *de facto* federal-provincial concurrence has been taking place.⁵

Though Ottawa could have put the question to the courts at the time of its federal land grant to the University of Manitoba in 1884, or the province of Quebec could have done so when it chose to object to federal grants in 1951, no such action has been taken. The most probable reason for this is that all parties enjoy benefits from the constitutional abeyance over education. The federal parliament can expand its authority into the development of the arts and human resources of the state, while the provincial governments enjoy the money which has so often flowed from such arrangements. Submitting the question to the courts would almost certainly cost one party an advantage: Ottawa its prestige, and the provinces their money.

⁴ Donald C. Savage and Richard Bellaire, "Universities and the Federal Government," *Financing Canadian Universities: For Whom and By Whom?*, eds. David M. Nowlan and Richard Bellaire (Toronto: OISE Press, 1981) 140.

⁵ Robert Stewart, "The Constitutional Nature of Federal Participation in Canadian Education," diss., Carleton University, 1991, 89-90.

Ottawa's early veering into education was done under other auspices than Section 93. This became clear with in 1874 with the establishment of the Royal Military College in Kingston by an act of Parliament. The provinces did not flinch at this initiative, largely for because it was taken under the auspices Section 91.7 -- Ottawa's responsibility for defence (though the Minister acknowledged that the surplus of those who could not be absorbed by the nation's militia would have useful skills for the private sector)⁶, and secondly because the provincial legislatures were still unsure of the limits of their authority.

Constitutional uncertainty, combined with Ottawa's lack of compulsion to involve itself any more than sporadically helped to avoid intergovernmental conflict over PSE early on. The interesting dynamic in this period was more so between the legislatures and the private institutions of higher learning.

Divergent Development

Initially, postsecondary institutions were a parochial interest for the monied class, or for those who wished to study at a denominational college in hopes of joining the clergy. Beyond that, they certainly lacked the stature and influence they carry today. Privately incorporated and controlled, they could engage in instruction (usually with a focus on theology) by an act of the provincial assembly, and could confer accreditations and grant degrees by obtaining a royal charter from London (after 1867 charters would be obtained domestically).

Development of higher education was widely divergent before confederation and left a distribution of denominational colleges across the provinces. In Québec, the Catholic Laval, and St. Raphael colleges were created to educate the French in North America and importantly to perpetuate the clergy in the province. In English Canada the Anglican Church was quick to establish King's College in Nova Scotia, the King's College of New Brunswick in that province, and yet another King's College in Upper Canada. In spite of the early dominance

⁶ Canada, House of Commons *Debates*, 1874 in Cameron, *More than an Academic Question*. . . 20.

of the Anglicans, other denominations did not wish to be excluded and soon petitioned for their own degree granting institutions.

In Upper Canada, the Methodists founded Victoria College, the Catholic Church established Regiopolis in Kingston in 1837, alongside of the Presbyterian University of Kingston (later to become Queen's) in 1841. McGill College, which would be granted its charter in 1821, would be unique in Lower Canada not only because of the Anglican movement which sponsored it, but also because it, along with the Presbyterian Royal Institute for the Advancement of Learning, would be its only English colleges until Bishop's was founded in Lennoxville in 1843 (chartered a decade later).

In virtually all cases, the founding documents of each institution made precise requirements that all governors, faculty and students would conform with the religious doctrine of the sponsoring church. Early governments were displeased with the sectarian schisms which invariably erupted both between and within churches resulting in the paralysation and fracturing of the colleges. It also resulted in large cities like Montreal and Toronto having to have a number of universities of different faiths in order to accommodate everyone.

The proposed solution, even before confederation, was to displace the relevance of these denominational colleges by establishing provincial, non-denominational universities. The assemblies could not carry this out as long as London continued to be involved in assigning charters according to the requests of private concerns. As David M. Cameron describes the dynamic at the time:

The struggle over denominational control of higher education would continue to dominate the agenda of public policy for the next 30 years [following 1837]. By now, however, Anglican intransigence was fast being matched by the impatience of other denominations. . . The idea of the non-sectarian, provincial university would not be lost, but it would now have to compete with a growing multitude of denominational institutions.⁷

⁷ Cameron, *More than an Academic Question*. . . 11.

Following Confederation, the legislatures of each province set out on a process leading to the consolidation of existing institutions in favour of a public, provincially controlled - if not administered - system of higher education. However, because of the high degree of inter-denominational conflict which was resulting from the status quo in some provinces, this task would prove to be an extremely difficult and time consuming enterprise.

The Rise of the Provincial University

The middle of the 1800s had been a remarkable period for the development and growth of church colleges in Canada. In the absence of restrictions to a single "state religion", and without effective control over the sector by the early assemblies, private interests made regular petition to London for the establishment of a multitude of institutions in a multitude of denominations.

Nova Scotia's non-denominational Dalhousie had fallen into the control of Scottish Presbyterians, the Baptists had incorporated Acadia University in 1841, while in the same year Halifax Catholics gained sanction for a short-lived Saint Mary's University. A Cape Breton seminary would settle in Antigonish to be incorporated into St Francis Xavier College in 1855. Four Catholic colleges were also opened in Upper Canada, including Bytown (later renamed Ottawa) in 1848, St. Michael's in Toronto in 1852, Assumption in Windsor and St Jerome's in Waterloo. Even in Manitoba, which would be the fifth province to join confederation, there were a number of denominational schools operating, but without the acrimony which was being felt in the east.⁸

The response of the new provincial legislatures in dealing with the denominational colleges was in most cases swift and decisive. Not surprisingly, they were to employ a recurring element of university/government relations, specifically government control over public funding, to profoundly influence post-confederation development. Until that time, universities had depended almost entirely on tuition fees, private donations, sponsoring

⁸ See the quote by W.L. Morton's *One University: A History of the University of Manitoba 1877-1952*, in Cameron, *More than an Academic Question*. . . 21.

churches or government endowments for their funding. And though the public endowments were not large (for instance, only \$3000 for Queen's in 1867), they were significant symbolically given that public opinion was not with the universities.⁹

Ontario wasted virtually no time in announcing in 1868 that no further grants would be extended to the denominational colleges, preferring to give all monies to King's successor, the secularized University of Toronto (1850). The university became, in the formulation which would soon be recreated across the new country, the cornerstone "provincial" university, publicly funded and in all significant regards, devoid of denominational requirements (even though its federated colleges were denominational, they would be allowed only instructional authority under the degree granting auspices of the University of Toronto). The Legislature's action sent shockwaves through Ontario's venerable colleges, ultimately resulting in the closure of Kingston's Regiopolis and the amalgamation, or reorganization of the remainder once they could not rely upon the support of their church or could not subsist on private charity alone.

Things began similarly in Nova Scotia when the Legislature moved in 1876 to create the University of Halifax, an examining and degree granting institution made up of a federation of the existing denominational colleges, in the same vein as Toronto. The colleges would continue to receive their government endowments in order to facilitate their cooperation, but by 1881 it was clear that allowing the colleges to retain their own degree granting authority had undermined the larger plan, prompting the Legislature to abandon it. However, in what Cameron describes as a "bizarre twist of partisan provincial politics" the legislative council rejected the bill, thereby perpetuating the University of Halifax and eliminating the public grants to the colleges — a situation which would not be rectified until the 1960s.

The origins of the public University of Manitoba in 1877 were a masterwork of that

⁹ A.B. McKillop, *Matters of the Mind: The University in Ontario, 1791-1951*. (Toronto: OHSS, 1994) 44. quotes from the University of Toronto's *Varsity* which speculated in 1883 on the Legislative and public outcry which would stem from any proposal to increase endowments to the University.

government, fusing the existing denominational colleges into a governing council with a government appointed chancellor to be given authority over all degrees granted in the province and which would receive advisement on academic policy. Though the form that the University of Manitoba would take was similar to that of the University of Toronto (in that it provided a non-denominational framework in which denominational colleges could subsist with government direction over funding and curricula), Manitoba would avoid much of the denominational in-fighting that characterised the evolution in Ontario, and would also result in the establishment of the first system encompassing all colleges in the province. So pivotal was this accomplishment that it would be subsequently adapted in the other western provinces.¹⁰

III. Pragmatism and the Social Union

Developments in postsecondary education in the period leading up to the First World War had an air of being deceptively provincial in all senses of the word, while in actual effect their dimensions were as broad as the country itself. With the emphasis on building provincial systems, there was a period of experimentation and emulation in provincial policy dealing with colleges and universities. Inspired by the advancements originating in central Canada, particularly Ontario's trials with the public University of Toronto, governments in the west and east began to move in unison towards a publicly controlled and funded system of PSE. Though it would not immediately embody the notions of accessibility and comprehensiveness that have come to be associated with Canada's universities, it commenced a momentum towards increased institutional and instructional sophistication and enshrined a public role in higher education. At the same time, the intervening world wars helped to promote the relevance of the "practical sciences" and of research. A modest, yet increasing federal government role would grow from these areas into post-war programs to aid individual students in attaining education beyond high school as well as augmenting resources for everything from research to infrastructure.

¹⁰ Cameron, *More than an Academic Question*. . . 21.

Governments did not enter this new area without careful consideration. Founding a tradition of non-partisanship and semi-independence between universities and governments, a series of royal commissions were sanctioned in this period to study pressing issues of management, governance, and funding on behalf of governments. The relevance, and indeed the utility of such impartiality, however ostensible it may in fact be, would be respected by governments seeking change in PSE later on.

As the costs continued to increase for an education system being called upon to perform to new social demands, investment and involvement of the federal government did also increase. This shared role in funding, and in designing new social enterprises in education, health care, welfare and other areas between the federal and provincial governments began a period of "cooperative federalism." This period would forge the basis of the Canadian social union - an increase of public involvement in social policy areas which grew out of the war economy.

Public Commissions and the national interest

A.B. McKillop modestly describes the 1906 Royal Commission on the University of Toronto as being "among the most important pieces of provincial legislation in the history of higher education in Ontario — certainly in the history of the University of Toronto."¹¹ The true resonance of the Flavelle Commission, as it is otherwise known, would be pan-Canadian in scope; many of its recommendations being incorporated by virtually every province in Canada.

As the first province to establish a fully public, non-denominational degree granting institution, Ontario was obliged to deal with questions yet to be considered about the relationship between the government and the new university, and by consequence, all those to follow. The parameters set for a royal commission by Premier James P. Whitney were quite simple, but at the same time, quite broad — to study and make recommendations on the governance of the university, which included its several colleges and the new school of

¹¹ McKillop 166.

practical science. The study came back with three critical proposals: the establishment of a bicameral governing structure with a board of governors to deal with administration and budget matters and a senate which would set academic policy, with both boards overseen by a president; that the legislature not exercise direct control over the university, but that this authority be vested in the board of governors which would be appointed by the government; and that the pivotal issue of funding be allayed by providing half of the provinces' revenues from succession duties, calculated on a three year average. Also recommended was an increased emphasis on research and graduate education and the adoption of tenure in the university.¹²

The recommendations of the Commission were swiftly adopted by the Government of Ontario (a startling accomplishment for a royal commission, and for PSE policy setting) and by other provinces as well; proving an early indicator of harmonization. Saskatchewan and Alberta were each on their way to establishing a singular university system, following Manitoba, which had learned from Ontario's lesson. The 1907 act incorporating the University of Saskatchewan borrowed both the bicameral system and a funding model based on succession fees. Alberta on the other hand would change its original 1906 incorporation, which had predated Flavelle's report to replace its unicameral structure with a bicameral one four years later. In large part, the commission's report would revolutionize public PSE governance and financing across Canada.

The next public study of relevance would mark the first significant and structured intervention of the federal government into higher education. The Royal Commission on Industrial Training and Technical Education (1910-13) was a response to increased interest in vocational and agricultural training, which was considered shared jurisdiction. So, while education may have been mostly provincial, agriculture was a concurrent federal/provincial power under section 95 of the BNA Act. For this point, Ottawa was able to gain the

¹² This summary of the Flavelle Commission's findings is derived from Cameron, *More than an Academic Question*. . . 27-29; McKillop 164-167; and Cameron and Royce 71-72.

agreement of all nine of the existing provinces. Perhaps encouraged by this, the Laurier government announced, before the commission could report, a \$10 million grant to be shared by the provinces on a per capita basis for agricultural training. Though these monies did not go to the universities exclusively, they did represent the Canada's first shared cost program. The 1913 commission report commented that technical education should remain provincial jurisdiction, but felt that all levels of government were responsible for funding it. However, its more ambitious recommendation, that of a \$30 million development fund would be displaced by the defeat of the Liberal government and the intervening world war.

Although the report of the Royal Commission on Dominion-Provincial Relations (Rowell-Sirois Commission, 1939-40) would consider issues more far reaching than just higher education, the war and depression had done a great deal to indicate the scientific and research importance of the universities, as well as their funding vulnerability. Feeling the pinch of decreased public endowments, tuition levels accounting for nearly 50 percent of institutional budgets and dilapidating infrastructure, the universities threw off constitutional dictates and pleaded their case to the commissioners — a group decried by Mitch Hepburn as “three professors and a Winnipeg newspaper man.”¹³ The commission was indeed conscious of the plight of the universities, due to both its official composition and the number of leading academics it employed as researchers augmenting their depression income.

Their conclusions, as David Cameron describes, were pro-PSE, perhaps to the detriment of other principles they championed:

Its report, highly critical of shared-cost or conditional grant programs in general nonetheless countenanced the possibility of federal support for universities: “Even the provinces might welcome a small Dominion grant to their universities made contingent on the maintenance over a period of some years of the provincial grants to the same institutions and on the preservation of high academic standards.”¹⁴

¹³ Hepburn as quoted in Robert Bothwell, Ian Drummond and John English, *Canada, 1900-1945* (Toronto: University of Toronto Press, 1990) 274.

¹⁴ Cameron, *More than an Academic Question*. . . 42.

A bold step was taken by the Rowell-Sirois Commission in providing seemingly objective legitimacy for federal involvement in spite of constitutional dictates. The idea of an emerging “social union” which the commission advocated meant having comparable public services exist across the regions of Canada at “no more than normal Canadian taxation.”

Cooperative Federalism

The second world war pushed the Commission’s report to the sidelines, but it also invigorated federal interest in higher education and research in particular. The lobbying of university presidents would not long go unheeded. As with the vocational training initiative earlier on, Ottawa took the lead in 1940 to aggregate provincial cooperation for a Dominion-Provincial Student Aid program (the precursor to the Canada Student Loan Program), an agreement to support provincial grants and loans. Critical to the reintegration of veterans into the post-war economy, the program would peak at \$37,000,000 in 1946-47 but drop (with the number of veterans) to \$9,000,000 in 1951.¹⁵

The entire debate around PSE in Canada would change rapidly in the post-war years. No longer was it the sole purview of the provinces, no longer could it be funded in a haphazard fashion based on provincial fees and revenues, which were limited by War-Time Tax Agreements which saw the federal government collecting all taxation and returning each province’s earned share. Also, the idea of Ottawa equalizing provincial tax revenues to support equality of services in Canada was being increasingly applied to the PSE field by those like M.P. Robert Ross Knight who in 1949 said:

The Prime Minister was reported as stating that Canadian universities should be supported in their work, or at least that it would be a pity if their work were to fall off owing to lack of support. I believe the Dominion government must accept some responsibility for the rather backward state of education in some sections of our country because it has persistently refused to aid the provinces in this connection. . . Some universities are financially embarrassed and some are indeed the poor relations of others.¹⁶

¹⁵ Savage and Bellaire 141.

¹⁶ Canada, House of Commons, *Debates*, (September 29, 1949).

The 1951 report of the Royal Commission on National Development in the Arts, Letters and Sciences (Massey-Levesque Commission) would mark both the apex of well as the beginning of the end for “cooperative federalism” in PSE. Ottawa’s response since the war had consisted of directed programs with the provinces or with institutions to spur training and research for the economy, or to promote student assistance, but they had fallen short of augmenting the core grants of institutions. The limits of cooperation were constitutionally defined, but in the face of a financial crisis for the universities, the Massey Commission advocated greatly enlarging the definition:

the universities are provincial institutions; but they are much more than that. They also serve the national cause in so many ways, direct and indirect, that theirs must be regarded as the finest of contributions to national strength and unity.¹⁷

Enabled by the acceptance of this stream of logic and motivated by fiscal problems in the sector including the high cost of professional training, the general cost of all university education, and increased student costs which could threaten the emerging principle of accessibility, Prime Minister St Laurent’s government agreed to the commission’s recommendation for a 50 cent per-capita grant to the universities based on each province’s population. The institutions gleefully accepted Ottawa’s new found interest in them, and so it should be noted, did the provincial legislatures, at least until the mid 1970s. The exception being the Duplessis government in Québec, whose sensibilities were offended by this more interventionist side of cooperative federalism.

IV. Emergence of the Provincial Role and Inchoate Inter-provincialism

The 1951 grant program was significant both for its philosophical groundings — that the federal government had an role to ensure “that the work of the universities. . .[were] carried on in accordance with the needs of the nation”¹⁸ — as well as its considerable policy

¹⁷ Report of the Royal Commission on National Development in the Arts, Letters and Sciences in Cameron, *More than an Academic Question*. . . 47.

¹⁸ Canada, *Report of the Royal Commission on National Development in the Arts, Letters and Sciences, 1949-1951*. 355.

impacts for both Ottawa and the provinces. By injecting huge amounts of money into the system, and thus encouraging the provincial governments to do the same, the program and its subsequent manifestations initiated a rapid period of growth that would last for over ten years. Ottawa's involvement would advance programs for student assistance by both levels of government, would entail further support for research through the research granting councils, and promote the creation of higher education infrastructure.

The increased federal involvement awakened the provinces to their own interests in PSE and its province-building potential. Provincial leaders saw Ottawa's money and influence as challenging their efforts to consolidate systems of higher education under provincial banners which had begun at the turn of the century. Federal/provincial conflict erupted over Ottawa's expansive taxation powers and jurisdiction over the provincial social policy areas that formed Canada's social union.

Period of Rapid Growth (1957-1967)

The period of rapid expansion in Canadian PSE took place at all levels: federally through direct funding to institutions; provincially with governments in most cases taking greater interest in the design of their systems and asserting greater control; and institutionally through ambitious growth in infrastructure, staffing and programs. It would mark a renaissance for public PSE following the interruption of two world wars.

The prevailing trend to promoting growth involved provincial legislatures granting individual charters to the previous sub-units of major universities. This would form York University out of the University of Toronto, the University of Calgary out of the single university of Alberta, the University of Victoria and Simon Fraser out of the University of British Columbia, and while Saskatchewan would remain committed to the principle of a single provincial university, it would give the Regina Campus of the University of Saskatchewan greater autonomy. The number of provincially chartered universities in Ontario would double from seven to fourteen and a number of Québec's regional classical colleges operating the auspices of the universities pushed for their own university status.

“Bulldozers”, historians remark, “became a normal feature of the campus scene in the late fifties and early sixties, as the ‘edifice complex’ spread to the universities.”¹⁹

Three factors facilitated this expansion process: the decision by Ottawa to engage in direct investment, institutional projections of massive increases in enrollment following the inclusion of the veterans, and the increasing demands of provincial governments to be included in the direct management of federal funding.

Federal funding grew quickly in some six years following its original announcement. The grants were doubled in 1956-57 and raised another 50 cents per-capita in the following budget. Also emerging from the Massey-Levesque Commission was the creation of the Canada Council, a federal agency to encourage growth in the arts, humanities and social sciences. Half of the Council’s \$100 million budget in 1957 was specifically designated to support university infrastructure. Though the provinces still contributed the lion’s-share, universities relied increasingly on Ottawa for their early expansion. In the first five years of the growth period, federal grants increased by 7.5 percent while the provincial share dropped by 5.4 percent. Tuition fees remained stable and endowments became increasingly irrelevant (see Table 2.1).

¹⁹ Bothwell, et al. 156.

Table 2.1: UNIVERSITY OPERATING REVENUE BY SOURCE AS A PERCENTAGE OF OPERATING EXPENDITURES.²⁰

Year	Provincial Grants	Federal Grants	Student Fees	Endowment Income	Misc.	Surplus or (Deficit)
1955	40.7%	14.2%	28.0%	4.8%	11.9%	(0.4%)
1956	41.1	15.0	26.9	5.8	11.1	(0.1)
1957	37.1	20.6	29.0	5.8	12.4	4.9
1958	36.7	18.7	30.0	4.2	10.0	(0.3)
1959	35.2	23.3	27.7	3.9	9.4	(0.6)
1960	35.3	21.7	28.5	3.5	10.4	(0.5)

An air of crisis was injected into the debate on the future of PSE by a June 1955 study by Dr. E.F. Sheffield presented to Canadian universities. The sense of reservation felt by university presidents and finance officers preceding the end of the veterans' boom was swiftly replaced by an anxiety pinned on the realization that a sizable civilian population -- nearly 70 percent of enrollment between 1944 to 1954 -- had accompanied the boom. This was to be the way of things, noted Sheffield's paper "Canadian University and College Enrollment Projected to 1965." Because of expansion in both the birth rate and the number of young adults choosing to attend PSE, he ascertained that enrollment would increase from 67,500 in 1954 to 128,900 ten years later. Leaders in higher education were astounded and nearly hysterical. They raised questions ranging from the availability of skilled faculty and research infrastructure to the adequacy of on-campus residences.

This would set off in large part both a concerted lobbying strategy by universities directed primarily at Ottawa, and a ground level strategy by university planners and provincial officials to improve facilities, enlarge their instructional capacities and push for alternative educational opportunities, including the development of colleges.

The federal grants provoked a complicated debate in the provinces. Although the

²⁰ Source: Cameron, *More than an Academic Question*. . . 84

provincial governments were mostly willing to accept the substance of the federal grants, there was deep seated resistance to the spirit in which they were given. On one hand, the provinces had trouble swallowing Ottawa's virtually unlimited use of the spending power which was now being put forth as the *raison-de-etre* for its investment. "With the approval of Parliament, Prime Minister St Laurent explained, "[the government] can use this money to make gifts or grants-in-aid to individuals, institutions, provincial governments, or even foreign governments. This is a royal prerogative which our constitution does not limit in any way."²¹ Secondly, they were equally put off by the manner in which university officials were cozing up to Ottawa, a trend which had been established in the intimate days of the Veterans Rehabilitation Act.

The earliest indication of discontent was Québec's Premier Maurice Duplessis' outright refusal to allow his province's universities to accept the St Laurent grants only a year into the program. Now that the veterans' program was over, Duplessis' government no longer considered Ottawa's role to be anything other than a violation of its Section 93 jurisdiction.²² In the short run, this posturing would hurt the universities, who would have to go without their province's share of the funds, and the citizens of Québec whose share of federal tax dollars were not being returned to them (although the grant monies were held in trust for the province).²³ In the long run however, Duplessis' intransigence (even in the face of two dissenting colleges who broke ranks to collect their federal grants) would score a victory of sorts for all the provinces, as well as establishing the precedent of allowing provinces to "opt-out" of pan-Canadian programs.

Characteristic of the new era of double-image federalism, the Diefenbaker government terminated in 1960 its grants for PSE in Québec, replacing that revenue by surrendering to

²¹ St Laurent as quoted in Cameron, *More than an Academic Question*. . . 65.

²² Robert Stewart 352

²³ This point was made well by the province's 1956 Royal Commission of Inquiry on Constitutional Problems which is described in Cameron, *More than an Academic Question*. . . 63.

Quebec one percent of corporate income tax adjusted annually. Reconciliation of the dilemma finally allowed Québec to catch up with the other provinces in its expansion. The settlement, as Cameron describes, radically changed the face of federal/provincial relations in PSE:

[It] signalled a dramatic change in the role of the provincial government. After two centuries in which education in general and higher education in particular had been left to the responsibility of private groups and the church, the provincial state quite suddenly moved to the centre stage. But Quebec was by no means alone in this. Every provincial government, more or less willingly but none the less ineluctably, was drawn into responsibility for managing and financing what would soon be viewed as provincial systems of postsecondary education.

Province-building and Harmonization

The substance of federal funding for PSE would change one more time in the fall of 1966 (in actuality it would change a multitude of times, which will be explored in the following chapter). Perhaps to clarify for on-lookers that a new era was upon PSE in Canada, the per-capita grants to the universities, Quebec's opt-out, and the long standing conditional grants for technical education and infrastructure were all eliminated. In their place the Pearson government announced to a federal/provincial conference that all federal support (other than student assistance and research grants) would now be incorporated into a plan of cash transfers and ceded tax-points to the provinces to account for 50 percent of the direct operating costs of PSE. The accompanying explanation adroitly ran the edge of federal/provincial relations by acknowledging the constitutional responsibility for education, while also asserting that the "federal government has specific and particular responsibilities to which higher education is relevant."²⁴ The decision was a radical departure for relations with the universities, as Richard Simeon describes,

Ottawa had to worry about the provinces more than the universities. The universities would have preferred direct federal aid to the institutions, but Ottawa chose to make an abatement to the provincial governments, with no conditions whatever on its use. In doing so Ottawa helped to strengthen the control of the provincial governments over the universities, and made federal support for such "national" universities as

²⁴ A statement of the Privy Council Office at the October 1966 Federal-Provincial Conference in Cameron, *More than an Academic Question*. . . 131.

McGill in Montreal impossible. The provinces, not universities were taken into account in Ottawa's planning.²⁵

This new era was one of consolidation and even trepidation as the provinces surveyed their new domain and their substantially augmented provincial budgets. According to Cameron, province-building in the area of PSE involved four activities widely pursued in all provinces.²⁶

First, each province completed its institutional networks, involving in some cases the establishment of new universities and the creation of new colleges for the technical and vocational training as an alternative to university. Having developed their universities, Ontario and British Columbia began in 1965 to focus on their respective college systems as a response to the need for vocational training. The major difference between the two would be that B.C.'s colleges were more integrated, allowing students to receive the first years of a university program. To assist in planning for their sectors, a surprising number of provinces employed royal commissions to research and make recommendations. This was notably the case for Québec, New Brunswick, and Newfoundland. Development of the public system in Québec's had been slower than most but emerged in 1968 with a major endeavour called the Université du Québec, a multi-campus provincial university incorporating existing colleges in Montreal, Rimouski, Trois-Rivières and Chicoutimi. This and the collèges d'enseignement général et professionnel (CEGEPs), which were unique, public, intermediate schools leading to university or employment, were both the product of the sweeping and singularly significant Parent Royal Commission which would direct PSE development in the province. In the same year, Prince Edward Island founded its entire system, consisting of one college and the consolidation of two other colleges into the University of PEI.

Second, most provinces established intermediary agencies ("buffer bodies") designed

²⁵ Richard Simeon, *Federal-Provincial Diplomacy: The making of recent policy in Canada* (Toronto: University of Toronto Press, 1972) 281-82.

²⁶ Cameron, *More than an Academic Question*. . . 140-168.

to respect the independence of the universities from government, while at the same time allowing for academic and often fiscal planning on a provincial level. Only Newfoundland and Saskatchewan had not created intermediary agencies by 1968. The Nova Scotia Universities Granting Council was the first, and as its name suggests, was primarily charged with directing provincial funds to the universities for the first time since 1881. It was criticized, however, for having little influence with the government, as well as stepping on the toes of universities when it came to academic planning for the system. The Nova Scotia agency would be an exception for having difficulty with both partners. In virtually every case, these buffer agencies tended to gravitate to either government or to the universities. The Ontario Council on University Affairs (OCUA) was criticised early on for being too close to the government, evidenced by the fact that its advice to the Ministry was rarely turned down.²⁷ The significance of OCUA's policy recommendations regarding formula grants and the review of graduate programs reached beyond the province, proof, says Cameron of "the capacity of federalism to foster experimentation and to facilitate the transfer of experiments to other provinces."²⁸

Third, was the development of formula financing arrangements through which provincial grants could be parcelled to each institution specifically recognizing the fiscal needs of each university and college, as well as broadly recognising the importance of accountability for governments and the importance of autonomy for the institutions. Between 1967 and 1971, Alberta, Manitoba, Nova Scotia, Newfoundland, British Columbia and PEI all adopted, with some variation, what came to be known as the "Ontario formula." The formula assigned grants to universities based on the number of students enrolled in each of eight program categories determined by the relative costs of different programs. Three important public policies were represented in the formula: firstly, an acknowledgement that different programs are more costly for institutions and should be weighted differently in the calculations;

²⁷ Cameron, *More than an Academic Question*. . . 155

²⁸ Cameron, *More than an Academic Question*. . . 156

secondly, the explicit authority of the provinces to set and regulate tuition fees; and thirdly that the government would also be able to set the annual value of the basic income unit (the weighted enrolment) based on available public funds. The approach used in Québec would differ in that it assigned values to categories of operating expenditure as its core unit of analysis, rather than weighted enrolment; with an average cost per student for each of these institutional budget areas multiplied by current enrolment to determine the operating expenditure of each institution. The final grant would be calculated by subtracting other revenues, including tuition. It was an egalitarian formula in Cameron's analysis:

By using average per student expenditures in several functional categories. . . Québec was clearly pursuing a levelling objective. More over, by deducting tuition revenues it was transferring effective control of tuition policy, as in Ontario, to the provincial government. And with that, Québec chose as a matter of continuing policy to freeze tuition fees at their 1968 levels.²⁹

Last, in the process of province-building, was the establishment of provincial bureaucracies which required in most cases the separation of higher education from the existing ministries (or departments) of education. The need to do this was expressed by universities increasingly protective of their autonomy, and sceptical of the technocratic elementary and secondary education bureaucrats. Even this process encompassed considerable variations. British Columbia and Québec both established sub-departments within their education departments, while Ontario established a department devoted to university affairs (it would be expanded to include colleges in 1971). The Department of Advanced Education of Alberta was considered the model of comprehensiveness and consolidation of all facets of PSE, including vocational centres and agricultural colleges along with the 'mainstream' colleges and universities.

²⁹ Cameron, *More than an Academic Question*. . . 166.

V. Conclusion

The concurrent provincial development evolving from the Flavelle Commission, through to the commencement of federal transfers to the universities and then to the provinces, truly accelerated in this latest period of development. It would not however cease to be dependant on the federal transfers, the opposite in fact would be true. Out of this period, and inspired by past instances of emulation, would develop a true “system” of higher education in Canada. All provincial governments, in every region of the country and of all political stripes, purposely, but more often unconsciously created a remarkably harmonized policy sector, made more predictable by the existence of federal support, embodied by the transfer payments.

As the next chapter shows, this system would not remain static. Each change would influence the trajectory of higher education in the provinces, as well as the aggregate of these policies: the pan-Canadian system.

CHAPTER THREE – Origins and Characteristics of the pan-Canadian System of PSE

I. Introduction

Ottawa's political and fiscal involvement has greatly contributed to the evolution of postsecondary education in Canada. Nevertheless, virtually every study of the sector begins with, or is interrupted by an author's reminder that education, including higher education, is constitutionally the responsibility of the provinces. Though invariably accurate, such apologetics seem to play a role in discouraging analysis of this policy area from a critical "pan-Canadian" perspective. Authors and analysts more often than not choose to see the provinces as "watertight compartments" with little spillover from one jurisdiction to the next. This scholarly bias largely explains why very little sober consideration has been given to the idea of a pan-Canadian "system" of PSE. Out-of-mind, in this case, does not necessarily mean out-of-sight. Accepting that there is a remarkable degree of convergence between provincial PSE spheres, this chapter will examine the most likely explanation for such an evolution, consider its anatomy and lead us into a discussion of where this construct is likely to be headed under the machinations of the Canada Health and Social Transfer.

The term system congers up ideas of a deliberate body of precisely interrelated parts working for the most part in unison to arrive at a desired outcome, or produce a desired end product. Managerial systems or industrial mechanical systems are likely images. The idea that the system needs first to have a predetermined purpose and a organizational body to direct its elements is presumable. But is this what we are talking about with the system of PSE policy? In Canadian federalism we are conditioned to recognize the existence of federally imposed and enforced national standards as a key indicator of policy coordination between the provinces. National standards, most readily associated with the federal-provincial dynamic in health care are defined in a recent study by the Caledon Institute as:

Conditions [that] set out explicit requirements for the receipt of federal funds; these monies can be reduced or withheld for non-compliance. Standards set benchmarks

by which to judge the adequacy of public programs or services.¹

Clearly this is not what exists for PSE policy. For as we began to discover in the last chapter, the federal government has provided critical funding for the sector, but has hardly exerted any influence on how these monies were to be spent, save insisting that the cash not to be diverted elsewhere. Yet it is been acknowledged that “there are no national standards for higher education in. . . federal legislation [and that the provinces are] not required to spend any money on universities, or even have any universities, in order to receive federal transfers.”²

What the system is then is something far more nuanced than the product of “negative integration,” described by economist Thomas Courchene as a series of federally imposed “thou-shalt-nots,” like those that exist in the *Canada Health Act*, adhered to by the provinces out of fear of the penalties.³ Conversely, for PSE, the transfers have themselves provided the incentive, the means, as well as a not necessarily intrusive philosophical basis for PSE policies in the provinces. This is not saying that fiscal federalism alone dictated the shape of higher education in the provinces, since each province has had an undeniable role in this, but that this system has provided a low-risk, cooperative and equitable platform for experimentation and emulation between governments in the sector.

The fiscal federal transfers for PSE marked the flexibility of our federal system of power sharing. At a time when it was both philosophically and fiscally disposed to act, Ottawa made resources available to assist the provinces to execute their constitutional responsibilities (if they so wished). And while these resources did not come without associated values and objectives of the federal government, they were for the most part ideas that were agreeable, and would in any event be accepted by most of the provinces themselves.

¹ Sherri Torjman and Ken Battle, *Can We Have National Standards?* (Ottawa: Caledon Institute of Social Policy, May 1995) Internet. 29 January 1998. Available: www.cyberplus.ca/~caledon/full38.htm.

² Paul Davenport, “Federal Funding of University Education,” *Financing Canadian Universities: For Who and by Whom*, eds. D.M. Nowlan and R. Bellaire (Toronto: OISE Press, 1981) 9.

³ Thomas J. Courchene, *Redistributing Money and Power: A Guide to the Canada Health and Social Transfer* (Toronto: C.D. Howe Institute, 1995) 7.

Legislated standards then, were not as necessary in this case.

This happy circumstance would not remain untouched by the passage of time. What has been revealed over the contemporary history of the sector is no less than the tale of two visions for a most critical policy sector, occasioned by both cooperation and conflict. One vision which takes as its basis constitutional legitimacy and a legal relationship with the institutes of higher education. The other vision being based on notions of responsibility for economic growth and the well-being of all Canadians, a notion very much grounded in and bolstered by its fiscal capacity to project its aims beyond the constitutional division of powers. Reflected in the conventional analysis is the depiction of a fundamental shift from the affairs of nation building to contemporary province-building; a circumstance dictated by the gradual erosion of Ottawa's fiscal strength, a circumstance whose consequences are more than simply economic.

In light of this, we are left to consider the possible consequences for the fragile PSE "system", which exists only by the grace of provincial governments arriving at similar approaches through jurisdictional experimentation and emulation largely made possible by a generous fiscal federal system.

II. The Objectives of Federal Transfers for PSE

Before exploring the system, as such, it is worth considering the ideas which originally motivated, and may indeed continue to motivate the federal transfers for PSE. As was mentioned, there has not been great advancements by governments towards vertically imposed national standards for the sector. Mostly, Ottawa and the provinces have agreed to leave this area to the provinces to regulate and manage individually, or cooperatively on a case-by-case basis. In the absence of legislative standards Ottawa has nevertheless had its own designs for Canadian higher education. These are perhaps best described as its objectives: "the overall goals that the federal government seeks to achieve" in the sector.⁴ So even without directly controlling the policy instruments, the federal government, often with

⁴ Torjman and Battle.

the encouragement of members of the policy community or as part of strategies to achieve other industrial, employment or social goals, has been directed in its own objectives for colleges and universities. The indirect instrument⁵ which Ottawa has used to further its objectives is of course, the often controversial spending power. The billions of dollars which the federal government has for almost half a century poured into transfers for PSE has helped to promote at the provincial level, a particular philosophy for public PSE closely associated with these objectives.

In a 1981 paper, officials of the federal Ministry of State for Social Development, Magnus Gunter and Richard Van Loon described the federal objectives in PSE as consisting of three general categories: economic objectives, distributive objectives and citizenship objectives. The federal government, they explain, "does and must maintain an important role in postsecondary education because the educational programs are necessary tools for the achievement of other federal objectives in such areas as economic growth, accessibility, mobility, technological advancement and official language policies."⁶ Even though there other certainly other categories to describe the national objectives in PSE, we shall consider these three as they seem reasonably inclusive of the principles demonstrated by Ottawa in higher education.

Economic Objectives

That federal objectives in PSE should be associated with fiscal federalism should not be altogether surprising. The transfers, evolving considerably over the years, have been, as John Ralston Saul praises, "a remarkably original approach towards governing a federal state

⁵ Ottawa also enjoys a few direct instruments in PSE, namely the Canada Student Loan Program, which it administers jointly with all provinces but Québec; the federal research granting councils, and its responsibility for educational programs for Aboriginal students. As this paper is concerned mainly with the impact of transfer payments, these direct instruments will not be considered at great length.

⁶ Michael Gunther and Richard J. Van Loon, "Federal Contributions to Postsecondary Education: Trends and Issues," *Financing Canadian Universities: For Who and by Whom*, eds. D.M. Nowlan and R. Bellaire (Toronto: OISE Press, 1981) 149-150.

in which some regions were richer and others poorer.”⁷ For citizens, it marked the passage from a period of negative constitutional rights -- life, liberty and security of the person -- to one of positive social rights, which included a social-democratic approach to health care, public education, and income support.⁸

These transfers should not be confused with the unconditional equalization payments which are granted to so-called “have-not” provinces, but are federal funds granted to the provinces to support specific public programs, including health care and postsecondary education. As others have observed, ensuring commonality of services through fiscal federalism has proven to be among the bonds of the Canadian federation.⁹

Gunther and Van Loon describe federal economic objectives as consisting of four principles, which are:

a) to coordinate and support adequate levels of manpower training and planning particularly for economic growth and for highly skilled nationally and internationally mobile occupations; b) to minimize barriers to interprovincial mobility; c) to support research and development particularly in sectors related to economic growth; d) to assist in the rationalization and coordination of applied research and development, between regions and between government and industry.¹⁰

Support for objectives such as these have constituted the lion’s-share of the rationale for federal involvement in PSE. From the genesis this was the case as David M. Cameron points out in a 1996 essay:

Technical and vocational education, along with agricultural instruction, became the subject of the earliest instances of conditional grants or shared-cost programs, with federal participation approved by all provincial premiers and justified by the federal

⁷ John Ralston Saul, *Reflections of a Siamese Twin* (Toronto: Penguin Books Canada Ltd., 1997) 136.

⁸ Stephen McBride and John Shields, *Dismantling a Nation: The Transition to Corporate Rule in Canada*, 2nd ed. (Halifax: Fernwood Publishing, 1997) 39.

⁹ See: Maude Barlow and Bruce Campbell, *Straight Through the Heart* (Toronto: Harper Collins, 1995); and Steven McBride and John Shields, *Dismantling a Nation: The Transition to Corporate Rule in Canada*, 2nd Edition. (Halifax: Fernwood Publishing, 1997).

¹⁰ Gunther and Van Loon. 149.

government's general responsibility for economic development and its concurrent powers over agriculture.¹¹

As education was, and indeed continues to be seen as a means to achieving a highly productive and advanced economy, the federal government naturally envisioned for itself a role to promote universities and colleges as part of its overall economic development strategy. Fiscal support and policy leadership in support of universal public education was seen, as John Ralston Saul describes, as one of the key elements which allowed Canadians to "build prosperity on the foundations of systemic poverty."¹² Imagining that we were a prosperous nation by favouring a privately administered, elite-based education system as existed in England, could not — and still does not — befit a post-colonial state burdened with the limitations of an economy born of hewing wood and drawing of water. Since the war, state efforts to promote public education at all levels have carried with it the promise of social equalization across Canada which have contributed in no small way to the economic objectives of our state-building enterprises. Historically, the federal government has not shied away from seeing the universities and colleges as instruments for national policy in key sectors of the economy. A good example being the 1964 report of the Royal Commission on Health Services which, recognising a pending crisis in the health care professions, saw fit to call for the establishment of six new faculties of medicine and ten more schools of nursing at universities across the country. Even as we begin the transition from a domestic economy to a global one, governments continue to pursue economic objectives through PSE:

In recent years there has been a growing recognition on the part of all Canadians that our future prosperity depends on our competitiveness in an increasingly tough world economy. A key factor in our economic performance is the availability of highly trained and well-educated people. Governments, business, labour and a wide variety of interest groups see access to learning opportunities for all Canadians as essential

¹¹ D.M. Cameron, "Shifting the Burden: Liberal Policy for Post-Secondary Education," *How Ottawa Spends 1995-96: Mid-Life Crises* ed. Susan D. Phillips (Ottawa: Carleton University Press, 1996) 161.

¹² J.R. Saul, *Reflections of a Siamese Twin: Canada at the end of the Twentieth Century*. (Toronto: Penguin Books Canada Ltd., 1997) 136.

to our economic development as individuals and as a nation.¹³

The federal government is also in a unique position to encourage and protect student mobility, which like mobility of labour is an essential component for fostering a pan-Canadian economy. And while most believe like David M. Cameron that "a case can be made that assisting interprovincial student mobility. . . serves a federal purpose, and an expanded federal role in this area could help to alleviate the burden of inequity that now falls upon provinces like Nova Scotia which experience a net in-migration of students,"¹⁴ there is surely mixed opinion on the successfulness of any government's leadership in building a system which recognizes accreditations universally across the country.

Along with the granting of transfer payments to promote mobility by allowing universities and colleges to have roughly the same amount of resources to dedicate to each student, the Canada Student Loans Program (CSLP) is a national program which has been touted as a major instrument for student mobility. It reaffirms the principle that people are a resource of the state in its entirety, and not of just one province. The counterforce to this is that as all provinces have come to manage their own student assistance programs, they have also been tempted to set strict eligibility requirements for out of province students. Provincial finance officials may come to see students as another capital investment. Increased provincial independence in this area poses problems not only for mobility, but for higher education funding in general, as Paul Davenport describes:

If a province invests in a dam or a reactor, it owns the resulting asset and has title to the net earnings over the asset's lifetime. Provincial investment in university education, however, creates intellectual property which belongs to the student, and which he [sic] may freely carry to another province. Thus, in a particular period if there tends to be migration of graduates from province A to province B, A may cut university spending to avoid subsidizing B, while B may cut spending (or at least not raise it) because it appears cheaper to import graduates from A; the continued imports

¹³ Canada, Secretary of State, *Federal and Provincial Support to Post-Secondary Education in Canada, A Report to Parliament, 1990-91*. (Ottawa: Minister of Supply and Services Canada, 1992) 1.

¹⁴ Cameron, *More than an Academic Question*. . . 444.

to B could cause A to make even greater cuts, and so on.¹⁵

It is not surprising then that critics have come to remind the federal government that “in an academic and financial sense student mobility is of the utmost importance to Canada’s system of postsecondary education.”¹⁶

Similarly, research is another area which the federal government is in a unique position to oversee as part of its economic objectives in PSE. Specifically, the federal government has long been successful in providing leadership to university-level research through the provision of sizable grants via the granting councils: the Social Science and Humanities Research Council (SSHRC), the Natural Science and Engineering Research Council (NSERC) and the Medical Research Council (MRC). Reviewing what he regards of the diminishing federal involvement in 1991, Cameron postulates that “[it] is in support of university research that the federal government has acquired its most significant role”, though he warns of the old dispute between levels of government over Ottawa’s failure to recognize the indirect costs (infrastructure and support costs) of doing research which have never been reflected in the awards of the granting councils.¹⁷ It is virtually accepted that research is one area in which the federal government has been able to develop not an insignificant presence in most provinces.

Distributive Objectives

The development of Canada’s social programs have meant the pursuit of economic objectives through the redistribution of resources — physical, human and fiscal — throughout regions, between social-economic classes, and to and from sectors of the economy. And though this strategy has been part of a larger economic one, this should not obscure the fact that these redistributive efforts have internal aims of their own. In the PSE sector,

¹⁵ Davenport 32.

¹⁶ Senate of Canada, Senate, Subcommittee on Postsecondary Education. *Proceedings of the Standing Committee on Social Affairs, Science and Technology Subcommittee on Post Secondary Education*, Issue 12 - Evidence (10 April 1997).

¹⁷ Cameron, *More than an Academic Question*. . . 445.

descriptions of these aims have included such things as universality, equality and accessibility. Specifically, the distributive objectives of PSE attributed to the federal transfers by Gunther and Van Loon are to:

support equality of access to PSE by providing assistance for basic institutional infrastructure in order to make possible a common standard of educational facility and programming across Canada. The distributive objective includes also a commitment to support greater equality of opportunities for individuals by reducing personal income barriers to post-secondary education and a commitment to promote a just sharing of the overall costs of the education system to Canadian society at large.¹⁸

Stewart Goodings indicates agreement by including “assisting access to excellent higher education by financial support to institutions (PSE financing) and by financial support to students (student aid programs)” among the main policy themes in federal involvement.¹⁹ Clearly, the watchword in distributive objectives is accessibility. By way of a definition, accessibility is considered “the removal of barriers to ensure the right of entry of all students who are able and willing to study, to learn, regardless of socio-economic background and/or place of residence.”²⁰ As the definition suggests, there is a dual strategy inherent in the pursuit and maintenance of access. Firstly, is the socio-economic focus which is aimed at reducing discriminatory effects based on an individual’s attributes including national origin, gender or economic circumstance within the PSE system. This has been sought primarily through direct assistance to individual students to fully or partially offset the cost of tuition, ancillary fees, course materials, boarding and living expenses. Federal loan, grant and scholarship programs have been run solely or jointly with the provinces since 1919 when the first loans were provided to veterans of the first war and evolved into the Canada Student Loan Program which began to take its present shape in 1964.

¹⁸ Gunther and Van Loon 149.

¹⁹ Stewart Goodings, “Postsecondary Education Policy in Canada: Confessions of a Federal Bureaucrat,” *Public Purse, Public Purpose* eds. James Cutt and Rodney Dobell (Halifax: Institute for Research on Public Policy, 1992) 39.

²⁰ Canadian Federation of Students. *A Strategy for Change* 4th Edition (Ottawa: CFS, 1997) 1

The other dimension of the strategy is aimed at redistributing resources between regions of the country. The impact of this is more than federal and is the underpinning of the process of pan-Canadian policy harmonization and “providing a more equitable distribution of the well-being of citizens.”²¹ This objective, which has remained consistent since the earliest direct transfers, has long served to assist provinces financially to meet their constitutional obligations, as well as developing comparable institutions and infrastructure.

Citizenship Objectives

The third federal objective identified by Gunther and Van Loon involves citizenship objectives, which are described as:

objectives and responsibilities which are met by programmes which encourage the educational system to contribute to the knowledge and understanding Canadians have about themselves and their environment and also to encourage through the education system a sense of Canadian citizenship and identity with particular emphasis on the nation's bilingual nature and its commitment to egalitarian attitudes and civic mindedness.²²

Though the description is fairly precise as to what is meant by “citizenship” aims, neither the authors, nor recent literature seem to give these much further mention. Highly laudable as imparting egalitarianism and civic mindedness as well as fostering greater understanding of Canada's bilingual nature, it does not seem possible to project this through the entire PSE system, and is probably best demonstrated in a few of the humanities/social sciences disciplines, more so than may be found in the natural sciences.

The role which the federal government plays in providing targeted PSE support for First Nations peoples would likely fall into citizenship objectives. Though it is not explicitly mentioned by Gunther and Van Loon it is surely a welcome step to modernize what are meant by citizenship objectives. However, as this responsibility is uncontested as part of Ottawa's express constitutional responsibilities it is rarely manifest as an area of federal-provincial

²¹ Phillips, “The Canada Health and Social Transfer. . .” 68.

²² Gunther and Van Loon 149-150.

disagreement.²³

Following this vein, and reflecting on the current trends in some institutions and provincial governments towards “employability” and skill-value assessments based on market desirability, citizenship objectives may be seen as government’s efforts to protect and promote specific college and university programs including languages, literature, the arts and social sciences which may contribute to a meaningful pan-Canadianism. Certainly there are defenders of the responsibility of public education at all levels to foster a sense of history and national purpose. However, citizenship objectives appear to be one idea which has not been translated as successfully to the provincial level. As John Ralston Saul, describes:

Providing education is [the provinces’] job. They fervently defend this power. The citizenry are dependent on education to prepare themselves for their lives as both citizens and active adults. The fact is that the provinces are not holding up their end of the federalist division of powers. They are not doing what is needed, even though this is their most important area of responsibility. If a single indicator is needed to demonstrate the province’s failure, it is the growth of private education. . . The recteur of Laval University quit his position in 1997, worn out by a defensive battle. His ironic parting shot was: “We are administering a catastrophe.”²⁴

Clearly, the federal government has for some years and to this day pursued specific policy aims which fall within the parameters of PSE. It has at the same time experienced varying degrees of success in its endeavours, a track record which David Cameron attributes to his contention that “the federal perspective on higher education in Canada has been formed under conditions akin to chronic schizophrenia,” which is to say that government action has not always corresponded with stated intention.²⁵ The causes of this unfortunate tendency are attributable to the backdrop under which PSE policy is formulated in Canada. “Bold proposals bequeath budgetary backtracking. Federal and provincial priorities conflict, yielding outcomes that differ from intentions. Constitutional morality succumbs to political

²³ Cameron, *More than an Academic Question*. . . 444

²⁴ Saul 244-45.

²⁵ David M. Cameron, “The Federal Perspective,” *Higher Education in Canada: Different Systems, Different Perspectives* ed. Glen A. Jones (New York: Garland Publishing, 1997) 9.

advantage.”²⁶

III. Canada’s PSE “System”: harmonization, integration, predictability

Unilateral pursuit of these aims has usually proven the path of greatest resistance for Ottawa, for as was explained earlier, the responsibility for colleges and universities clearly lies within the jurisdiction of the provincial legislatures, and though their ability and desire to protect and promote this sector has fluctuated from disinterest to ardent protectionism through the evolution of the federation, increased provincial wealth has led to greater provincial independence in PSE. Since the period of growth and expansion, the defining trend has been towards more provincial control, fiscally and administratively, over the sector. Beginning with Québec premier Duplessis’ rejection of Ottawa’s transfers to that province’s universities in 1952, a federal-provincial tug-of-war has been on, resulting in the provinces asserting their own aims for the sector. As Michael Skolnik describes:

the immediate aftermath of World War II was an important watershed in the evolution of Canadian higher education. The precise dates varied, but commencing anywhere from the 50s to the early 60s, and lasting as late as the 70s was a period of identification and elaboration of provincial needs, innovation and expansion, and the establishment of what might be described as provincial systems of post-secondary education.²⁷

Even though Ottawa has been integral in the system, through the transfer of fiscal resources to augment provincial treasuries to advance public higher education and though the aims of both levels of government are quite often comparable and complimentary, constitutional law, and provincial pride, as well as legitimate concerns for the provinces’ efficacy in the sector has pushed Ottawa out of the PSE spotlight. The by-product of the tug-of-war is what David M. Cameron describes as the schizophrenic nature of the federal perspective on PSE:

Dressed in the garb of constitutional propriety, the federal government confronts a world that excludes it from all but minor roles, with the responsibility for higher

²⁶ Cameron, “The Federal Perspective” 27.

²⁷ Skolnik 329.

education assigned to provincial governments. But under the guise of political expediency, the federal government contends with both opportunities and pressures to assume a more prominent presence, even to the point of challenging provincial primacy in some aspects of higher education.²⁸

Canada's PSE "System"

And though federal encroachment in policy making and implementation does add confusion to a policy area which has been described as ambiguous in the Canadian federation²⁹, its other venture -- providing transfers in support of provincial PSE policies -- has contributed to what is described accurately as Canada's "system" of PSE. And because some observers have mis-characterized this as the operation of national standards³⁰, we should distinguish between the two.

National, or pan-Canadian standards require that bench-marks for program performance and objectives are legislated, either unilaterally by the central government, or mutually agreed upon at the sub-state level. Further, to protect this consensus from violation, sanctions are associated, either as financial penalties imposed by the central government (or agency), or by punitive measures taken by the sub-state units retaliating against the dissenter.

Such a scenario has not occurred in higher education. For while program performance and objectives have been similar, by more than mere coincidence, responsibility for this can not be *directly* attributable to Ottawa, and is certainly not the subject of federal legislation. One may make the case that there is a state of mutual agreement between the provinces then which supports not standards, but a sort of concordance in the public aims and resultantly the policies employed in higher education.

This leads us to a consideration of the pan-Canadian "system" in PSE. Far more modest than the "standards" thesis, and often confused with it, is the system, "consisting of the various policy and planning structures, institutions, programs, and related activities of

²⁸ Cameron, "The Federal Perspective" 9.

²⁹ Savage and Bellaire 140.

³⁰ Gordon Gibson, *Thirty Million Musketeers*. (Toronto: Key Porter Books, 1995) 119-20.

each of its constituent political jurisdictions and the formal and informal interrelationships among those educational jurisdictions.”³¹ Since we have assessed the direct federal policy making role as being limited in the PSE field, and as Skolnik’s definition does not describe the “informal interrelationships” in detail, we may be better off to look at more specific features of the Canadian system. These are grounded in three elements: (a) harmonization of provincial policies, (b) integration of programs across provincial boundaries and (c) an element of “predictability” in the process and its outcomes. This explanation is suitably flexible to account for Canada’s centralist-decentralist trends and does not necessarily require a federal “overseer” to enforce legislated standards, which in any case do not exist. At the same time however, it does recognize and give considerable importance to the influence which federal transfers have on maintaining the coherence and integrity of the “system.”

Harmonization

Conspicuous in the area of higher education has been a remarkable degree of policy convergence. Though the existence of ten distinct, independent provinces is often acknowledged, there is also the sentiment recognizing “several noteworthy features which the diverse systems have in common.”³² As Susan D. Phillips describes:

Although there are no existing standards governing postsecondary education — and education is a highly guarded provincial jurisdiction — there are few differences in higher education systems across the provinces. . . university tuition levels do not vary widely across the country; higher out-of-province fees have not been charged; as standard practice, degrees from Canadian universities are recognized by each other; and institutions enjoy a great deal of autonomy.³³

This circumstance is highly praise-worthy and has proved extremely fortunate for the state of the federation and the continued health of higher education in Canada. This state of harmonization is not directly the product of federal intervention, or the guidance of a inter-

³¹ Skolnik 326.

³² Skolnik 15

³³ Phillips, “The Canada Health and Social Transfer. . .” 82.

provincial regulatory body, but more due to individual provincial regulation.

Harmonization should be understood as the circumstance in which individual provincial governments, through a process of intergovernmental experimentation and learning arrive at a preferred program design. While the centralization-decentralization debate is useful to give a snap-shot of the division of powers at a particular period of time, “[h]armonization on the other hand, attempts to describe how these powers are used. Harmonization is more a movement than a fixed state of affairs, and therefore it describes a dynamic rather than a static property of a system of intergovernmental relations.”³⁴

Using the mantra of economists, harmonization is a state of equilibrium reached by policy makers competing in the market of program options, each constrained by similar financial circumstances, and seeking the same policy objectives. Intergovernmental learning is an important element of Canadian federalism, reflected in the thesis that federalism leads to greater policy innovation. Jurisdictional flexibility is precisely the factor which supporters of the “innovation” thesis celebrate. “Harmonization”, Forget explains, “is not effected by subordinating all [jurisdictions] to a single one, but rather by searching for accommodations and compromise.”³⁵ Where provinces are given a free hand to experiment and expand programs under their own jurisdiction, lessons can be learned which may benefit similar programs in other provinces.

Such innovation is not without its limits however, and is not the final word on Canadian higher education. Other factors common to all provinces do arise to constrain the flexibility of their experiments resulting in greater harmonization. Looking at three aspects of PSE policy making, Cameron demonstrates that “while federalism fosters diversity in provincial policy, it simultaneously limits the scope of that diversity.”³⁶

³⁴ Claude E. Forget, “The Harmonization of Social Policy,” *Fiscal Federalism*, ed. Mark Krasnick (Toronto: University of Toronto Press, 1986) 97.

³⁵ Forget 98.

³⁶ Cameron, *More than an Academic Question*. . . 443.

Though commonly associated with the innovation thesis, the process of intergovernmental learning is cited by Cameron as a disincentive to radical variation from province to province. It is clear that he believes that in many specific sub-policy areas there are, particularly in the administrative dimension, limits to the scope of innovation which may be pursued:

Examples of this are legion, including the rapid spread of formula financing, the common reliance on advisory intermediary agencies (indeed, even the successive elimination of such agencies in Alberta, Saskatchewan, and British Columbia³⁷), the remarkably similar provincial responses to restraint, and the growing popularity of targeted funding and the promotion of university-industry linkages. University policies show remarkably similarities across all provinces, yet as the outcome of actions by 10 autonomous governments.³⁸

Very much related to this is Cameron's second point, that "federalism gives rise to interprovincial comparisons which in turn constrain the practical scope of provincial experimentation."³⁹ This is to say that provincial governments have rarely taken an action in higher education which would put their system at a disadvantage relative to other provinces, particularly their neighbours, who may stand to benefit from an experiment gone awry. For this he points to a British Columbia retrenchment program which was quickly abandoned because few other provinces would follow suit, and to an explicit 1987 Quebec decision harmonize to university operating grants to match the levels enjoyed by Ontario universities.

How federalism is manifest in society at large as well as in the organization of governments is the third harmonizing factor identified by Cameron. For this he describes the massive policy community which circulate around universities and colleges at the pan-Canadian level which bring significant resources to bear, unilaterally or in coalition against provincial initiatives. "In their dealings with universities, provincial governments confront

³⁷ Since the elimination of the Ontario Council on University Affairs (OCUA) in August 1995, the province of Ontario may also be added to that list.

³⁸ Cameron, *More than an Academic Question*. . . 443.

³⁹ Cameron, *More than an Academic Question*. . . 443.

institutions with a pan-Canadian (even international) community of interest, and with considerable capacity to support one another when threatened by malevolent policies of a purely provincial origin.”⁴⁰ This is largely reminiscent of the now classic arguments of those like J.R. Mallory who explain federalism’s conservative bias as being caused by non-governmental actors.

Integration

Our system of higher education has also developed out of coordinated actions that harmonization may not account for. Policy integration may be understood for our purposes, as the coordinated effort by governmental actors to eliminate variation or duplication and encourage cooperation through institutional mechanisms. Policy integration is usually the result of a conscious political desire by governments to rectify the adverse affects of policy discord between jurisdictions. Integration and policy coordination are therefore related; the absence of the latter then resulting in the former, which may in turn produce a state of policy coordination. Integration, though, both relies upon and is sustained by an institutional authority to act as a regulator, or inducements such as financial incentives to reward compliance, or punish dissent.

The federal government has served as the key engineer for most of the efforts to form the Canadian social union. The top-down approach, or *vertical integration* was marked primarily by the use of Ottawa’s immense post-war spending power to encourage the provincial governments to build programs in conjunction. And while this sentiment was bolstered by a genuine desire in the federal and provincial capitals to work together for the benefit of the public good, the importance of fiscal federalism should not be understated:

The cooperative federalism of the 1950s and 1960s, when Ottawa and the provinces together built much of Canada’s social security system, had a strong cash component: Federal funds helped the provincial governments develop their welfare programs, social services and health care systems far beyond what could have been done on their own. By the same token, Ottawa’s capacity to withhold its financial support enabled it to enforce a relatively small but vital set of conditions that maintained important

⁴⁰ Cameron, *More than an Academic Question*. . . 443-44.

national standards for Canada's health and welfare system.⁴¹

National standards have been the most obvious signs of this process and are readily observable in the context of our public health care system. However, evidence of vertical integration in the postsecondary education field is largely the product of direct federal involvement in research and student assistance, and through the incentives provided through transfer payments. For instance, Ottawa was able to promote a pattern of institutional growth and in particular, the evolution of a binary system of institutions in all of the provinces through St. Laurent's 50:50 shared cost grants. Under all but the most recent transfer systems the federal government was also able to use the transfers as an institution to direct how much money would go to each province's PSE sector: by matching provincial spending dollar for dollar under the 50:50 arrangements, and by ear-marking 28.75% percent of a province's EPF transfer to colleges and universities⁴²; a measure which also allowed Ottawa to limit expenditure growth in some areas, as it did unilaterally for education in the budgets of 1983-85.

Economist Thomas Courchene prefers to call this kind of vertical integration, *negative integration*:

Essentially, negative integration as it applies to the social envelope amounts to a series of "thou-shalt-nots" directed at the provinces — thou shalt not have residency requirements for access to welfare, thou shalt not extra-bill, and so on. To be sure, negative integration is critical to Social Canada, since guarantees of portability and transferability do serve to link the various programs to national ones. But negative integration can only take a system so far. Beyond this point "positive integration" is essential.⁴³

Relying more on intergovernmental cooperation at the provincial level, so-called positive integration "requires a pro-active meshing of provincial programs and systems, including full

⁴¹ Torjman and Battle 7.

⁴² Canadian Federation of Students. *A Strategy for Change*. . . 8.

⁴³ Thomas J. Courchene, *Redistributing Money and Power: A Guide to the Canada Health and Social Transfer* (Toronto: C.D. Howe Institute, 1995) 90.

portability not only of social policies but also of skills and certification.”⁴⁴ It does not focus on federal involvement in this process, expecting it to evolve from provincial decision makers, and thus begins to resemble harmonization described earlier. While we are clearly encountering only the frontiers of horizontal, positive integration, it has been at work in the area of higher education. As Alan Maslove illustrates, “Provinces, recognizing that it may be in their common interest to adopt policies that may not be in the interest of one province acting alone (e.g. ensuring mobility), can come together and agree on a set of principles to which each other’s legislation will conform.”⁴⁵ He goes on to describe the fact that provinces have not imposed punitive out-of-province tuition fees as evidence that the process may also lead to understandings which produce tacit agreements or conventions between provinces.

On the institutional side, integration has produced horizontal intergovernmental agencies in the PSE sector, including the Council of Ministers of Education, Canada (CMEC) formed of all provincial ministers of education in 1967, and the regional Maritime Provinces Higher Education Commission (MPHEC) created by the provinces of Nova Scotia, New Brunswick and Prince Edward Island in 1974. And while these agencies may be limited in statutory authority, their ability to produce additional integration would appear to be lacking only the political will of the provinces.

Predictability

The third factor contributing to any policy system relies upon a certain inherent predictability. Participants and analysts should be able to anticipate specific inputs and outcomes from the system, resulting from the interconnectedness of its institutions. Predictability also means a degree of interdependence among the sub-systems so that any major change to one, or more of these will produce ripple effects throughout the system as a whole.

⁴⁴ Courchene, *Redistributing Money and Power*. . . 90.

⁴⁵ Allan M. Maslove, “The Canada Health and Social Transfer: Forcing Issues,” *How Ottawa Spends 1996-97: Life Under the Knife*, ed Gene Swimmer (Ottawa: Carleton University Press, 1996) 286.

The problem with ascribing a measure of predictability to higher education in Canada is exploited by the provincial sub-systems themselves, where there is not necessarily a great deal of inter-relativity between institutions even at that level (i.e.: between the university and college sectors, or for course equivalencies from one school to the next). Given that, the national system has developed a surprising degree of predictability based on interprovincial cooperation. Some like Maslove have taken inspiration from the provinces' efforts to recognize each other's accreditations, and the absence of differential fees, choosing to depict it as a remarkable "national" achievement, and as a strong "support for the argument that co-operation is a feasible route to the achievement of national standards."⁴⁶

The impetus for this cooperation and the resulting predictability of the system has been linked to the predictability of federal transfers themselves. The provision of transfers have mitigated against what may be seen as the natural tenancy of the provinces to take a parochial approach to PSE planning. As Gunther and Van Loon describe:

Over the long run if postsecondary financing comes predominantly from the provinces, there may be a tendency to increasingly emphasise the local and the provincial. Financing from the national government reinforces, in an indirect way, a national and an international perspective. A balance of perspectives is needed and to that end it is reasonable that both levels of government play strong roles in supporting the postsecondary system.⁴⁷

While analysts may disagree on the degree of influence which transfer payments may have over provincial policy making and planning for higher education, there is a sense that these monies provide needed guarantees and encouragement for the provinces to do things that they would not normally do. By enlarging the richness of each province's treasury, they mitigate against "me-first" policies which may result in pitting one province against another in social program provision. Courchene echoes this when he speaks of the prospects for a pan-Canadian "citizen's social policy charter" to guide the provincial governments: "No provincial social policy minister or finance minister could possibly commit to a set of 'national'

⁴⁶ Maslove 228

⁴⁷ Gunther and Van Loon 150.

principles. . .if the possibility existed that [transfer] entitlements would fall even further the next month.”⁴⁸ Predictability is grounded in the interdependence that transfer payments bring. The act itself, of transferring the national wealth on a regional basis encourages the realization of bilateral and multilateral linkages and as such, calls for greater vision, underpinned by notions of equity and social justice from province to province.

IV. Emergent Policy Impacts

Since its announcement in the February 1995 federal budget, analysts have been busy contemplating the consequences of the CHST for federalism and the affected policy areas of health PSE and social assistance. It has not been possible until quite recently to really consider the effects which this new generation of transfer payments will bring. And while no one could rightly claim that the CHST is the lone causal factor precipitating many of the most radical of recent trends in provincial higher education policy, it is far from being an innocent either.

Three theoretical frameworks are most useful to consider the effects of the CHST on provincial PSE policy and erosion of the notion of a pan-Canadian “system” for higher education.

Decentralization

Even among the experts, there is no widely agreed upon definition of “decentralization,” though most will say that the theme “has been fundamental to debate about Canadian federalism since its inception.”⁴⁹ Generally however, it is possible to see decentralization as a trend that emerges “when provincial governments obtain new constitutional responsibilities or increase the areas of federal intervention that are subject to

⁴⁸ Courchene, *Redistributing Money and Power*. . . 87.

⁴⁹ Richard Simeon, “Considerations of Centralization and Decentralization,” *Perspectives on Canadian Federalism*, eds. R.D. Olling and M.W. Westmacott (Scarborough: Prentice-Hall Canada Inc., 1988) 367.

provincial consultation.”⁵⁰ The legitimacy of federal involvement in PSE, as we have seen, does not hinge upon constitutional provisions. Decentralization in higher education policy then, has more to do with increasing provincial consultation, or increased “provincialization” through a decrease in federal independence or involvement in certain areas. And though it may be difficult to recognize as decentralization Ottawa’s declining influence in an area which it had not the constitutional authority to tread in the first place, the literature gauges these trends in these terms.

Declining transfers and the failure to impose conditions on funding are viewed as the culprits leading to decentralization in PSE. As Susan Phillips describes, “the concomitant withdrawal of \$6 billion in cash over two years from the [CHST] represents a significant retraction of the federal spending power and marks the end of the postwar era of an activist federal stance towards intervention in social programs.”⁵¹ The diminishing transfers under the new transfer system also raises a practical concern on the part of provincial legislatures who would be foolish not to resent any attempts by Ottawa to make any further impositions on provincial legislation. This, commentators believe translates into a loss of federal authority in the sector, resulting in a loss of accountability as to how the federal dollars are spent, and an irreversible decline of its influence. As Michael Skolnik observes,

the folding in of EPF grants along with health and welfare transfers in the Canada Health and Social Transfer - and the announced plans to reduce the total value of this transfer - has thrust upon the provinces greater pressure for efficiency, accountability and self-reliance in postsecondary education.⁵²

These new pressures now head the list of provincial objectives, resulting in an erosion of accountability in these programs. This has led some to speculate that the provinces could

⁵⁰ François Rocher and Miriam Smith, eds. *New Trends in Canadian Federalism* (Peterborough: Broadview Press, 1995) 10.

⁵¹ Phillips, “The Canada Health and Social Transfer. . .” 66.

⁵² Skolnik 336.

even do the unthinkable and turn their backs on the standards enshrined for health care.⁵³ This quiet erosion of standards through reductions in cash transfers threaten to have even more disastrous effects on PSE, which enjoys a state of policy harmonization based only on the consent and convenience of provincial governments. The prognosis for continued, or even sustainable levels of federal involvement in higher education seems bleak. The CHST, according to Phillips, “appears to set the federation on a one-way street of decentralization, involving limited use of the federal spending power and reduced opportunities for renewed federal government activism.”⁵⁴

Provincial Dis-harmonization

Closely related to the theory of decentralization is the notion of *dis-harmonization*. Decentralised systems have difficulty with policy coordination. Whereas in a centralist system, sub-state governments may be legislatively required, or morally obligated to shape social programs to meet particular objectives, in a decentralised system, incentives such as these exist far less. Under the transfer arrangements, the federal government was able to entice the provinces to construct programs and direct spending other than they would have, producing an artificial directive for provincial governments. As Garth Stevenson describes,

Provincial governments argued that these conditional grants put pressure on them to alter their spending priorities (precisely the government’s intention), that the terms and conditions of federal support prevented them from designing programs that fitted their own needs. . .⁵⁵

This type of vertical harmonization has fallen increasingly into disfavour, and resultantly into disuse, particularly following the advent of the CHST. Nevertheless, it marks the starting point for harmonized PSE policy in Canada, and therefore as the starting point for a study of dis-harmonization.

⁵³ Phillips, “The Canada Health and Social Transfer. . .” 77.

⁵⁴ Phillips, “The Canada Health and Social Transfer. . .” 89.

⁵⁵ Stevenson, Garth. “Federalism and Intergovernmental Relations.” *Canadian Politics in the 1990s*. Eds. M. S. Whittington and Glen Williams. Toronto: Nelson Canada, 1995. 414.

Though she acknowledges the absence of national standards for PSE, Susan Phillips marvels at the surprising degree of harmonization between provinces, which she attributes to provincial regulation. Regulation which has been possible due to large capital transfers from Ottawa. This situation is not likely to remain she predicts as “[the] scale of the withdrawal of funds entailed by the CHST. . . is likely to produce a much more uneven system.”⁵⁶

Besides the withdrawal of funds, the other critical ingredients producing dis-harmonization are the lack of federal requirements for provinces to meet to obtain PSE funding and similarly the absence of any form of enforcement mechanism. These components may now only be a part of the CHST if “the federal government and all the provinces reach unanimous agreement on the need for requirements and what they should be, or the federal government unilaterally imposes its own standards in legislation.”⁵⁷ Neither option truly seems possible or palatable as long as the funds are being withdrawn from the CHST.

The drafters of the 1997 Alternative Federal Budget recognize the emerging trend towards dis-harmonization characterized by the appearance of “10 systems of postsecondary education, devoid of national coherence and national standards.”⁵⁸ Though they and others express concern over the prospect of a disunified and disintegrated system of higher education resulting from this process, there are others who believe that dis-harmonious policy environment has merits as well, starting with its leading to local level policy innovation.

More telling than dis-harmonization in abstraction, is the indictment shared by Phillips and Cameron, that via the CHST, the Chrétien government is running headlong towards a decentralized federation without an expressed vision regarding higher education policy.⁵⁹

⁵⁶ Phillips, “The Canada Health and Social Transfer. . .” 82.

⁵⁷ McBride and Shields 84.

⁵⁸ Canadian Centre for Policy Alternatives and CHOICES, *Alternative Federal Budget Papers, 1997*. (Ottawa: CCPA, 1997) 95.

⁵⁹ Phillips, “The Canada Health and Social Transfer. . .” 89; and David M. Cameron, “Shifting the Burden: Liberal Policy for Postsecondary Education,” *How Ottawa Spends 1995-96: Mid-Life Crises*, ed. Susan D. Phillips (Ottawa: Carleton University Press, 1996) 180-81.

Downward Harmonization

David M. Cameron concludes a 1996 essay on the CHST with the remark:

The effects of all this on postsecondary education are likely to be enormous. It remains for individual provinces to decide, on the basis of their own priorities, how they will absorb the cuts, but it hardly seems likely that universities and colleges will emerge unscathed.⁶⁰

This statement is not unsettling just because it reminds us that PSE policy is more than ever before the exclusive jurisdiction of the ten provincial governments, or because it confirms a loss of federal involvement in decisions around education, but rather because it emphasises that PSE is only one of three programs for which the CHST is directed, and only one line item in the budgets of each province. Inevitably competition is going to take place in two areas to produce what may be termed *downward harmonization*.

Firstly, are the decisions made to respond to inter-ministerial competition in each province's cabinet room. Without federal guidelines for per program spending under CHST (EPF gave a guide for health spending, leaving the remainder for education), it is possible that anywhere from all, to not one cent of a province's transfers may go to PSE, in favour instead of health or welfare programs. The options available are not unlimited, as Susan Phillips describes,

they will need to cut programs or, if they want to maintain existing levels of services, they will need to deficit finance or raise additional revenues. For the most part there will only be one option. There is little public support in the country for raising taxes and many provinces have limited tax bases from which to raise additional revenues, even if they wanted to do so.⁶¹

Secondly will be the decisions made in response to the demands of inter-provincial competition. As each province now contends to make policy and run programs in the absence of affluence, it is increasingly likely that decision makers will avail themselves of their new flexibility to pursue notions of cost-effectiveness and ways to lessen the impact on the

⁶⁰ Cameron, "Shifting the Burden. . ." 180.

⁶¹ Phillips, "The Canada Health and Social Transfer. . ." 79.

provincial budget.

Downward harmonization is the result of provinces emulating the actions of their neighbours by adopting these cost-saving measures while at the same time sacrificing, or jeopardizing other considerations, including policy-effectiveness, or public interest. What comes of this is a “race-to-the-bottom” for provincial budget cutters radically reinventing programs while trying to keep up with other “more-efficient” provinces. Public choice theorists and economists laud the process that leads to downward harmonization because they see the competition of policy options between the same level of government as “a source of choices and protection for the citizen.”⁶² Never mind that their calculus of one “choice’s” favourableness to another is based almost entirely on considerations of inputs (relative rates of taxation) rather than of outputs (quality and accessibility of programs).

Since the CHST, higher education has been particularly susceptible to reductions in the cabinet room and potentially vulnerable to downward harmonization. In the zero-sum game of provincial budgeting, PSE, still seen in some quarters as the domain of the middle and upper classes, can not compete with the unemployed, those who are in need, or hospitals and their patients. Instead, what occurs is a litany of alternatives for financing and administering PSE including increasing the share of costs borne by individual students (referred to innocuously by economists as *internalizing* costs), reductions in institutions and programs offered, and varying degrees of privatization.⁶³ How far some provinces may go with these experiments and how successful they will prove is not entirely evident, but in the innovative spirit of federalism, it is possible that they will be followed in other jurisdictions with unpredictable results.

Horizontal Integration

Public policy development in Canada, according to critics, should rely more on a

⁶² Gérard Bélanger, “The Division of Powers in a Federal System: A Review of the Economic Literature, with Applications to Canada,” *Division of Powers and Public Policy*, ed. Richard Simeon (Toronto: University of Toronto Press, 1985) 16.

⁶³ Courchene, *Redistributing Money and Power*. . . 81-83.

process of horizontal integration. Favoured is this style which is arrived at between the jurisdictions - the provinces - who are principally responsible for social policies anyway. The social union forged through this kind of interprovincial cooperation would not be founded on negative incentives, but on positive ones. This, Courchene admits, is largely uncharted territory, made more uncertain by the CHST granting greater policy efficacy to the provincial legislatures, but in spite of this, he is confident that "the concern over greater fragmentation of social programs may well be the catalyst needed to ensure some significant breakthroughs in this area."⁶⁴

Fiscal realities, as well as jurisdictional ones render any notion of unilateral action by Ottawa as a non-starter. However, at a time when observers have jokingly added that "the provinces can't agree on what day it is," interprovincial agreement seems just as far off. Nonetheless, the higher education sector is uniquely equipped for discussions and potentially finding agreement on principles to work toward in PSE. The Council of Ministers of Education, Canada (CMEC) may finally flourish as a interprovincial forum in this period which is fraught with pitfalls for universities, colleges, students and provincial governments. This view is echoed in a recent Senate sub-committee report on PSE which states that when it comes to legislated national standards and provincial funding requirements for PSE, "the Government of Canada can best contribute to this goal by urging CMEC to exercise leadership in that regard and by facilitating its efforts to do so with data and other supports."⁶⁵ If integration is to occur to protect against what some see as the loss of pan-Canadianism, it will almost certainly have to arrive through provincial action and agreement. How forthcoming this may be at a time when provincial governments are held in thrall by their own fiscal circumstances, is a question well worth considering.

⁶⁴ Courchene, *Redistributing Money and Power*. . . 104.

⁶⁵ Senate of Canada, *A Senate Report on Postsecondary Education in Canada*, (December 1997) 61.

V. Conclusion

The image of ten watertight compartments each oblivious to the affairs of the others, experiencing little, if any spill-over from one jurisdiction to the next, is clearly an inaccurate perception of PSE policy in Canada. Surprising, perhaps to those who have ignored the dynamic, there has been a great deal of convergence in the sector, and from province to province, over what are its defining principles, what instruments should be used in its promotion, and how each should function and interrelate. Higher education in all provinces has more in common than it has differences.

The process of this convergence is typified by the actions of individual provinces in having the desire to innovate – daring to succeed or fail in the sector – and of the others to emulate and even to refine the most positive of these enterprises. It has also been the result of provinces willfully cooperating to integrate their sectors, by forgoing actions which would discriminate against each other, or engaging in institutional bodies like CMEC and MPHEC to dialogue on interprovincial issues. Acting as a stimulus has been the federal system of transfers which, at times controversial for the provinces, nevertheless provided a more tangible sense of community among the provinces, a generally predictable source of revenue, and a non-competitive environment for harmonization and integration to take place.

The end product of this harmonization, integration and predictability has been what is deemed a pan-Canadian system of higher education. The system is far from robust and benefits from little protection offered by the provinces themselves or the federal government through its transfer payments. Indeed barring one or more of the provinces retaliating against selfish or insular gestures by the others to introduce greater privatization or out-of-province tuition fees, the quiescent system will likely degenerate into pluralism and parsimony.

CHAPTER FOUR — Fiscal Federalism and the Canada Health and Social Transfer

I. Introduction

Rarely has a single fiscal policy measure had as far reaching impacts as those which accompanied the introduction of the Canada Health and Social Transfer (CHST). Line item fluctuations from year to year and government to government may have dramatically affected the functioning of a particular program or agency in the past, but never have the results resonated so far into the fabric of the federation. Coming quickly on the heels of an economic recession which left Ottawa and the provinces with significant revenue reductions and enlarged budgetary deficits, the 1995 federal budget begat a radical and largely unanticipated departure in the course of federal financial management and social policy development in Canada. For postsecondary education policy it would mark an unprecedented and significant federal retreat in both fiscal and policy terms, leaving provinces to make do with considerably less funding, thereby threatening the state of harmonization in Canada's PSE system.

The Canada Health and Social Transfer was the principal focal point of Paul Martin's second budget. It generally consisted of four measures:

1. The cancellation of the Established Program Financing (EPF) transfers for health and PSE, as well as the transfers under the Canada Assistance Plan (CAP) for provincial social assistance programs;
2. The introduction of a single consolidated block transfer for each province based on its entitlements under EPF (for 1995) and CAP (for 1994), consisting of previously granted tax-points, as well as compensatory cash to the provinces for health, PSE and social assistance;
3. The reduction of this transfer by \$6 billion from 1994-95 levels over two years beginning in 1996-97;
4. The removal of all federally imposed eligibility requirements for the transfer, excepting the five principles of the *Canada Health Act* and the prohibition of residency requirements under CAP.

The actions entailed far more than a periodic reassessment of the transfer system which underpins federal/provincial cooperation in key social policy areas. Reaction to the CHST from all but the most vociferous deficit-hawks has been, and continues to be largely critical.

Ontario's then-premier Bob Rae decried that it "marks the end of Canada as we know it."¹

Indeed, it is a fundamental realignment of both the costs and benefits of fiscal federalism as prescribed through equalization and transfer payments. It embodies a significant alteration, if not a closure in Canada's budgetary, political and even philosophical perspective towards the role of governments in the provision of key services.

Writing in 1995, Susan D. Phillips asserted that "the impact of the CHST on specific programs and services will depend on what choices the provinces make, but the choices available to them are extremely limited: they will need to cut programs or, if they want to maintain existing levels of services, will need to deficit finance or raise additional revenues."² Almost three years after the CHST's official start date in April 1996, provincial PSE policy is providing an excellent case for her prediction. Finance officials in different jurisdictions are choosing to do all that and more. While some have taken the obvious road towards budget reductions for PSE, mimicking their much loathed federal counterparts, others are struggling to maintain existing programs, by making the highly political choice to reduce revenues elsewhere. And while some provinces are assuring colleges and universities of sustained public funding, others have sought to shift the costs of PSE on to individuals through substantial tuition increases, or by pointing institutions towards increased private sector partnerships. No one province appears to be necessarily following the lead of the other in this uncharted and uncertain time for PSE. The harmonization and integration which so characterized the growth of provincial universities and colleges in the 1960s and 1970s seems markedly absent in this period.

For as many reasons as there are to find this trend surprising, there are as many to explain it. Coming at a time in which provincial governments were at vastly different stages on the bandwagon to deficit and debt reduction – Ontario, for instance, had a net public debt of \$98 billion, Québec's at \$76 billion, while Alberta and Saskatchewan were shrinking their

¹ Rae quoted in Greenspon and Wilson-Smith 274.

² Phillips, "The Canada Health and Social Transfer. . ." 79.

debt-to-GDP ratios – and at a time when many were beginning to approach a pivotal dialogue on the role of the federal government in social programs, the CHST contributed to a volatile mix. Owing to the absence of any standards set in legislation, provincial governments have much more flexibility in the area of higher education than they do in health care. Even though health poses a larger target for provincial budget-cutters, the constraints imposed by the *Canada Health Act* and the unimaginable political costs of threatening health care in the presence of a large aging population has left PSE a more vulnerable target for spending reductions and policy readjustments in several jurisdictions.

This chapter explores the motivations behind the CHST, its character within the context of fiscal federalism, and the provincial response to it in terms of PSE policy. This analysis sees the CHST in terms of three aspects: as an instrument for deficit reduction, as a political tool for the Chrétien government in improving its visibility with Canadians, and as a vehicle to pursue an agenda of decentralization. This will lead to an survey of the divergencies which are now occurring in provincial PSE policy.

II. Fiscal Federalism and Developments since 1967

Fiscal federalism may be best understood as the arrangements used by federal states to share revenue and apportion responsibilities for particular programs between one level of government and another. In Canada, these arrangements have resulted from, and been characterized by a single policy instrument – the spending power of the federal government. As Claude E. Forget describes, this spending power extended Ottawa's policy influence far beyond the letter of its own constitutional jurisdiction.

Even though the federal government played no part in the social field, it gradually developed all kinds of social programs. The concentration of tax revenues in Ottawa as a result of the war made the federal government a convenient and powerful instrument for carrying out the programs of the social reformers.³

As chapter two described, the development of PSE in the provinces, its infrastructure, the annual grants to institutions, and funding for student assistance and research, owed a great

³ Forget 101.

deal to federal leadership. The spending power was not however, without its limits, both in a fiscal sense and in the degree to which provincial legislatures could abide by sustained and obvious interloping into its jurisdiction. Fiscal federalism in the area of higher education, from the commencement of the social union until the 1995 budget would balance both conflict and cooperation between a federal government trying to leverage its ability to protect its economic, distributive and citizenship aims in PSE, and often recalcitrant provincial governments seeking federal funds, but rejecting vertical harmonization and negative integration.

Federal-Provincial Arrangements (1967 - 1977)

Fiscal federalism began anew with the elimination of Prime Minister St. Laurent's 50:50 shared cost arrangement in 1967. By agreeing to give grants for PSE to the provinces, rather than to the institutions themselves, the Federal-Provincial Arrangements Act brought in by Prime Minister Lester Pearson was seen as both giving provinces more of the leeway in policy formulation and development which they had been asking for in PSE, as well as allowing the federal government to forge a new partnership with the provinces at less cost than under the 50:50 agreement. This latter goal would prove elusive however.

The Federal-Provincial Arrangements differed from the program which preceded it not only in its choice of the recipient of the funds, but also in their substance and administration. Consistent with the spirit of cost-sharing which had been embodied in the 50:50 grants, these were an open ended grant equal to half of eligible provincial PSE expenditures. What costs were "eligible" included a fairly exhaustive list of academic, library, administrative, physical maintenance, and associated services.⁴ Notable was the exclusion of large-scale infrastructure costs (presumably barring federal funding to establish new institutions). The transfers consisted of both cash, as well as tax-points -- the notion of the tax transfer being "to enlarge

⁴ Savage and Bellaire 142.

provincial tax revenues at the expense of the federal treasury,”⁵ thereby freeing revenue to be collected by the jurisdiction that will be using it -- a principle attractive to Québec, which had been the first province to benefit from this through its 1960 settlement with the Diefenbaker government.

The mechanics of the 1967 announcement included the transfer of one point of corporate income tax (CIT) and four points of personal income tax (PIT). These transfers were meant to meet half of the direct operating costs of PSE in each province. In provinces where these tax transfers could not generate enough revenue to meet the 50 percent floor, Ottawa agreed to provide additional cash to compensate. This floor, as David M. Cameron describes, “immediately became the ceiling,”⁶ as federal treasury officials watched the cash contribution grow from \$108,000 in the first year, to \$451,000 in 1970-71.

Clearly there had been no anticipation that cost-sharing would encourage this level of expenditure growth in PSE. A modest, and largely inconsequential answer in 1972 would be a rejigging of the arrangement to cap growth of at fifteen percent annually, meaning that provinces were only guaranteed 115 percent of the previous year’s transfers; if expenditures exceeded that, the province could only receive assistance for a portion of the additional cost. As a balance to this measure, Ottawa agreed to increase the PIT transfer to 4.357 points.

Established Programs Financing (1977 - 1983)

In many ways, an era came to a close with the conclusion of cost-sharing under the Federal-Provincial Arrangements Act. It seemed to send the message that the federal government was no longer an active partner in the future development and growth of higher education in Canada. Even the title of the young transfer begged a new interpretation, as George Cartier explains,

The designation “established” implied that a federal presence was no longer thought

⁵ George E. Cartier, “Financing Health and Postsecondary Education: A New and Complex Fiscal Arrangement,” *Federalism in Canada* ed. Garth Stevenson (Toronto: McClelland and Stewart Inc., 1989) 442-443.

⁶ Cameron, “Shifting the Burden. . .” 163.

needed to ensure their continuance; any sharp provincial reduction in the level or quality of provision, especially of health services, would bring a storm of public protest.⁷

An alternative interpretation is that it marked the transition from an arrangement which was "seriously flawed for both parties,"⁸ to one that was largely unconditional for the provinces, but at the same time held some promise to protect a federal position in PSE. Gunter and Van Loon describe three over-riding federal considerations which motivated the Established Programs Financing (EPF):⁹

- 1) the ongoing and rampant cost increases of the health and PSE sectors;
- 2) strong pressure from some provinces for Ottawa to extract itself from its self-styled role as provincial auditor for these shared policy areas; and
- 3) that the federal government was still seeking the right vehicle to continue its involvement, while allowing the provinces the greatest autonomy.

Federal contributions under the previous arrangement had quadrupled between 1968 and 1976. The PSE portion had by then reached \$1.3 billion, up from \$421 million in the first year, while at the same time the provinces, primarily Québec, Ontario and Alberta were becoming increasingly reticent towards cost-sharing, seeing it as syphoning off provincial tax revenue so that Ottawa could choose their spending priorities for them.

EPF would cancel the shared-cost arrangements, substituting a system of largely unconditional transfer payments based on provincial entitlements of equal per-capita grants annually adjusted to gross national product (GNP). As in the previous arrangement, the total amount took the form of cash and tax-point transfers. Half of the per-capita amount would be paid in cash, with the remaining half consisting of the existing CIT and PIT transfers, plus an additional 8.143 percent of federal personal income tax, bringing the total PIT transfer to 12.5 percent. Recognizing that provincial tax yields vary greatly, the tax-point revenues were

⁷ Cartier 436.

⁸ Cameron, *More than an Academic Question*. . . 214.

⁹ Gunter and Van Loon 165.

subject to equalization, to prevent gross disparity between jurisdictions.

However, despite intimations otherwise, the federal government remained convinced that it not allow its responsibilities for health care and PSE to deteriorate under this new arrangement. As Prime Minister Pierre Trudeau demonstrated at the time:

...when funds are made available by Parliament under the spending power, there is a need to ensure that the funds are spent wisely. The federal government does not administer these programs because they are in fields which are basically under provincial jurisdiction. It does nevertheless have to concern itself with what is done with the funds that Parliament makes available.¹⁰

Part of the federal role then, was to see that monies earmarked for health or PSE were indeed used for those purposes, and that in all cases, provinces would likewise use their own revenue as a supplement for those purposes. Indeed, as a step towards greater harmonization and integration in the PSE field, Ottawa sought to participate in and encourage provincial cooperation in areas of PSE deemed to be of "national significance," through the Council of Ministers of Education, Canada (CMEC).

The transfer to EPF however did cast the die in favour of achieving federal fiscal objectives (reduction of the transfer costs) and placating provincial objections to federal interference. The increasing ease with which Ottawa would put its own economic considerations ahead of federal objectives in PSE would become an overarching theme in the evolution of fiscal federalism from this point onward.

Established Programs Financing (1983-1996)

One of the drawbacks of the EPF formula was that it did not possess long-term sustainability. Inherent in the transfer were the mechanics of its undoing. For as long as the economy was growing, provincial revenue collected through the tax points could be expected to increase at a faster rate than the GNP growth of the overall transfer. In time, these provincial revenues would make up a larger relative share and would eventually eclipse the federal grants. Though there was little fear of this occurring in the near future, changing

¹⁰ Trudeau as quoted in Cameron, *More than An Academic Question*. . . 217.

political and fiscal sentiments at the federal level would result in a rejigging of the system which would “take vast amounts out of health and education and introduce a virus that would eventually destroy national medicare and post-secondary education,”¹¹ ultimately leading to the Canada Health and Social Transfer.

The 1983 changes to EPF brought in by the Trudeau Liberals are of particular note because they chose to deal with only the PSE component of the transfer, leaving monies for health care untouched. The so-called “six and five” measures legislatively divided EPF into two portions: EPF-Health which was established at 67.9 percent of the transfer (based its average share in 1975-76, when this information was disclosed between governments), and EPF-PSE which was set at 32.1 percent. To this latter segment, the government placed a 6 percent limit on the transfer’s growth for 1983-84 followed by a 5 percent limit in 1984-85. Expressing Trudeau’s sentiments from 1977, Parliament pushed for further unilateral action to ensure that monies transferred for PSE were actually being spent for that purpose. Falling short of the opposition’s expectations of conditions being set for the transfer, an amendment was made to allow the federal government to table in the House of Commons an annual report on higher education spending by all levels.

Inspired once again by an opportunity to save costs and by their discontent with EPF as a policy instrument, the federal government, this time under Brian Mulroney’s Conservatives, passed over a period of five years, three sets of amendments to the transfer. Each of them involved imposing limitations on the growth of the entire transfer, rather than isolating PSE as had been done earlier. In 1985, annual growth for EPF was reduced to GNP minus two percent. Four years later the government, now in its second term, reduced annual growth by yet another percentage point, which promised to yield \$200 million in 1990-91. This 1989 decision would have saved the federal government \$2.2 billion over the next three years, had it not decided in the following budget to impose an outright freeze on the transfer’s annual growth.

¹¹ Barlow and Campbell 149.

Besides reducing Ottawa's overall fiscal commitment to higher education and health, the act of freezing the annual growth rate of EPF meant that, assuming increasing economic growth, the tax-point share, collected by the provinces would soon meet, or exceed the now stable level of per-capita EPF transfers. This situation would create the "necessity" for a review of Canada's social programs and provide a scenario urgent enough to conger up the CHST.

The irresolute deficit reduction strategy of the Trudeau and Mulroney governments (relative only to the crusade which would shortly follow) exposed what Alan Maslove calls the "externalities" of intergovernmental relations, describing a circumstance in which market actors who are not part of a decision or event are nevertheless effected by it.¹² In this case, the unilateral reductions of EPF revealed the degree to which provincial governments did depend upon the decisions encapsulated in the federal budget. The perception received, and applauded by some provinces, that the federal government was gradually withdrawing from PSE (and health) was muddled by contradictory actions taken at the same time, including the insistence of federal reporting of expenditures in the 1977 amendments, and a federally sponsored national forum on PSE announced in the 1986 throne speech. The externalities would also inflame intergovernmental finger-pointing, described in a 1987 Senate report:

When a provincial government is criticised for inadequate support, it responds that the federal government reduced the money for postsecondary education through the 1982, 1984 and 1986 amendments to the legislation. When the federal government is criticised for reducing the money it replies that the provinces are not spending it on education anyway.¹³

Sadly, the transition to the CHST would do nothing but exacerbated this situation and hold captive both the terms of debate, and the prospects for a renewed fiscal federalism.

¹² Maslove 295.

¹³ Canada, Senate, Standing Committee on National Finance, *Federal Policy on Postsecondary Education*. (Ottawa: Minister of Supply and Services, 1987) as quoted in Cameron, *More than an Academic Question* . . . 276.

Table 4.1: FEDERAL FUNDING ARRANGEMENTS FOR PROVINCIAL PSE PROGRAMS ¹⁴

	Federal-Provincial Arrangements (1967-1977)	Established Programs Financing (1977-1983)	Established Programs Financing (1983-1996)	Canada Health and Social Transfer (1996 - present)
Components	Cash and tax points (1 point of corporate taxable income and 4.357 points of personal income tax).	A system of transfer payments including cash plus 12.5 points of personal and one point of corporate tax (equalized to the national average).	Same as EPF (1977-1983)	Cash, set at a floor of \$11 billion (amended to \$12.5 billion in Dec. 1997) and tax-point transfer.
Mechanics	True federal-provincial cost-sharing. In 1972, growth rates for PSE were capped at 15% annually.	Cost-sharing replaced by per-capita transfers linked to growth in GNP.	"Six and Five" anti-inflation program separated PSE from health. Per-capita entitlements for PSE were limited to growth rates of 6% for 1983-4 and 5% for 1984-85.	EPF and Canada Assistance Plan (CAP) are replaced by a single block transfer, reduced by \$2.5 billion in 1996-7 and \$4.5 billion for 1997-98.
Division of provincial spending	Open-ended. Ottawa would match provincial priorities dollar for dollar.	Federal allocations were set at 1/3 of cash for PSE, 1/6 to medicare and 1/2 to hospital insurance.	Proportions for the separation were set by Ottawa based on 1975 numbers at 32.1% for PSE and 67.9% for health.	Determined entirely by the government of each province.
Requirements to be met for provinces to receive funding	Provinces needed to inform Ottawa of its eligible spending on PSE in order to be matched by federal share.	Provinces no longer had to provide Ottawa with actual expenditures for PSE.	Same as EPF (1977-1983), except that the federal government must table to Parliament an annual report on all aspects of PSE by each level of government.	Must adhere to the five principles of the Canada Health Act and provinces can not use residency as a restriction for social services. None for PSE.

Canada Health and Social Transfer (1996 - Present)

What the previous changes to EPF had tried to accomplish with cautious creeping, the CHST managed to do with tremendous strides. The object of deficit reduction, which was

¹⁴ Sources: See Davenport; Cameron, "Shifting the Burden. . ."

clearly part of the agenda of the post 1977 period, was almost the singular aim of the CHST, and as such there was no attempt to mask or make ambiguous the retrenchments as the previous arrangements had done. This generation of transfers continued to combine the funding for two unrelated social programs: health and PSE and bundled with it provincial welfare programs. It then removed \$2.5 billion from 1996-97 estimates for EPF and the Canada Assistance Plan (CAP) and threatened further reductions in future years.

Also abandoned was the principle of per-capita grants which had been critical to the first generation of EPF, as well as any prospects for further harmonization led by Ottawa -- the transfer added none of the conditions or standards for PSE that many had been calling for. As an instrument of fiscal federalism, the CHST delivered only reduced expenditures for Ottawa, and increased perceptions that it would be vacating these policy areas. The promise of "increased flexibility" for provincial governments was specious, for it would only bequeath more ways to spend less money.

III. Federal Motivations for the Canada Health and Social Transfer

Despite frequent pronouncements to this effect in the past, recent fiscal federalism has had little if anything to do with furthering federal objectives in postsecondary education. If anything, Ottawa has chose to go another route in this field, by directly funding ventures including the research granting councils, and the Canada Student Loan Program (CSLP) it is able to remain relevant in the field, while continuing to disable the transfer system which gives out much money but little public credit for the federal government.

Approaching its bust stage, given that the tax-points would soon exceed the declining cash portion, and accepting its waning political influence with most provinces, what to do about fiscal federalism was for a problem for Chrétien Liberals to ponder as they took office in 1993. A government displeased with its stake could have reengineered the system to parcel out individual grants specifically to health, PSE and welfare programs on the basis of their "federal importance;" or it could have completely disentangled itself from areas of so-called shared jurisdiction, leaving them to the provinces; or it could have raised its flagging popular

recognition by replacing transfers to the provinces with transfers to individuals. However, each of these strategies would be complicated, time-consuming and sure to raise the ire of the public, and vested interests in the health and PSE sectors. Instead, by adopting the CHST in 1995, the Chrétien government chose to charge the route of least resistance towards its more immediate aims.

Three aims motivated a massive internal push for what officials in the Ministry of Finance were calling the “Mother of all Transfers,”: reduction of the deficit, restoring the public presence of the federal level of government, and the pursuit of the positive optics of decentralization.

Deficit Reduction

“The CHST was,” as Susan Phillips remarks, “born of deficit-cutting.”¹⁵ The radical deficit reduction strategy that permeated the public sector in the mid-1990s took both Canadians and their governments by surprise. Until that time, governments of all ideological shades saw budget deficits as a responsible instrument for governments to meet public expectations in low economic times, provided that there was reasonable expectation of future revenue growth. Since the 1970s, full scale construction of the social union, including the provincial PSE sector had abated greatly, but left a growing public debt. Government’s fiscal strategy was decisively moderate, including a combination of stable funding for existing programs along side gradual deficit reduction. As Conservative finance minister John Crosbie decreed in 1979, the “fundamental objective of our fiscal plan is to bring about a steady reduction in our deficits.”¹⁶

Such moderation would be abandoned and even ridiculed by the neo-liberal corporate methodology that captured government and in the 1990s. Mesmerized by business leaders to believe in the supposed dangers of large public debts in the global marketplace and of the

¹⁵ Phillips, “The Canada Health and Social Transfer. . .” 66.

¹⁶ Crosbie as quoted in W. Irwin Gillespie, “A Brief History of Government Borrowing in Canada,” *Unnecessary Debts*, ed. Lars Osberg and Pierre Fortin (Lorimer: Toronto, 1996) 19

need to placate bond-rating agencies and international investors, the Chrétien government began to not only quicken deficit reduction, but to completely reverse Canada's economic orthodoxy of the past fifty years. A near crisis atmosphere soon took over in both the Ministry of Finance and the Cabinet room causing deficit reduction to become a singular fixation, decisively marginalising the objectives of social programs.

Emerging from this climate, the CHST was strangely neither the product, nor even a consideration for social planners in the Ministry of Human Resources Development (HRDC). Beginning in 1994, HRDC had begun its own process called the Social Security Review, targeting Ottawa's PSE contributions as a key area for reform. The preferred option of HRDC, would have contributed \$1.5 billion of the costs of EPF-PSE to deficit reduction by creating a \$500 million system of income-contingent student loans. However, this plan became bogged down by public criticism as the February 1995 budget date approached. Finance officials who were most influenced by the paradigm *de jour*, fixating on fluctuations in bond rates and preoccupied by debt levels grew impatient.¹⁷ In short order, they arrived at the idea of a single block transfer for health, PSE and welfare; more advantageous than the loan plan, as its size could be easily controlled by Ottawa, and thus reduced from EPF's \$17 billion to a slim \$11 billion.¹⁸

Controlling the transfer system was attractive because the deficit cutters wished to institutionalise their reforms by making the "automatic-stabilizers" inherent in the welfare state – arrangements that would ensure constant funding even in a contracted economy – "less automatic, to control expenditures so they didn't go through the roof in every recession."¹⁹ The problem of fiscal federalism under EPF, was that the provinces, through their own economic or population growth, controlled the rate at which the transfers would grow,

¹⁷ Greenspon and Wilson-Smith paint a insightful portrait of the climate which gave birth to the CHST in Greenspon and Wilson-Smith chapter 15.

¹⁸ Greenspon and Wilson-Smith 231-32.

¹⁹ Greenspon and Wilson-Smith 230.

placing (as was observed before the brakes were put on EPF growth in the late 70s) Ottawa in an unpredictable fiscal position from year to year. The block transfer meant that Ottawa could control expenditures, allowing it to meet its deficit reduction targets, and effectively reversing a bad situation to put the provinces in the unpredictable fiscal position.

As Table 4.2 shows, the introduction of the CHST not only halted, but indeed reversed the growth of transfers. The consequences of this at the provincial level will be explored later on, but to the federal coffers it meant considerable cost savings and for some “marks the end of the post war era of an activist federal stance towards intervention in social programs.”²⁰

Table 4.2: TRANSITION TO THE CANADA HEALTH AND SOCIAL TRANSFER, FISCAL YEARS 1993-94 TO 1997-98. (in \$ millions) ²¹

	1993-94	1994-95	1995-96	1996-97	1997-98
1. Previous arrangements:					
a) CAP	\$7,719	\$7,952	\$7,952		
b) EPF (PSE)	\$6,108	\$6,177	\$6,251		
c) EPF (Health)	\$15,128	\$15,299	\$15,483		
2. Total CAP/EPF	\$28,955	\$29,428	\$29,686	(29,400)^a	(29,600)^a
3. Canada Health and Social Transfer entitlements				\$26,900	\$25,316
4. Breakdown of rows 2 & 3:					
a) Equalized tax-point transfers ^b	\$10,273	\$10,669	\$11,408	\$11,984	\$12,816
i) Tax-point transfers	\$9,496	\$9,883	\$10,597	\$11,165	not avail.
ii) Associated equalization	\$777	\$786	\$811	\$819	not avail.
b) Cash Transfers	\$18,682	\$18,759	\$18,278	\$14,916	\$12,500
i) Québec abatement ^c	(\$1,794)	(\$1,846)	(\$1,975)	(\$2,063)	not avail.

^a These are Ottawa's estimates of what the EPF/CAP combination would have been in the absence of the CHST.

^b The “equalized tax-point transfer” refers to the 14.8585 equalized PIT points and the 1 CIT point that were part of EPF and have been rolled into the CHST. The components (the value of the tax-points and the value of associated equalization) are shown separately in the table.

^c The Québec abatement refers to the 8.5 unequalized PIT points associated with EPF and the 5 unequalized PIT points associated with CAP. This abatement is in lieu of cash.

²⁰ Phillips, “The Canada Health and Social Transfer. . .” 66.

²¹ Sources: Courchene, *Redistributing Money and Power*. . . 11; and Canada, Department of Finance, *Estimates* for 1997-98 and 1998-99.

The Visibility Crisis

The exegesis of shared cost, or block transfers in the classic formulation were to provide, in a pithy sense of commonwealth, monies from the federal level to the provinces to permit them to carry out their constitutional obligations fully and with an equality of condition that they may not have been able to attain otherwise. Understood as such, they seem to be uncomplicated arrangements in which federal money becomes provincial money with the exchange. Other interpretations, and the ascribing to the transfers of additional political baggage, have clouded the transparency and the accountability of PSE, as well as health and welfare. What results is a situation in which no one's expectations: not the provinces, not the federal government, and not citizens can be met. From this emerges a crisis of visibility.

At the crux of the visibility crisis has been the interpretations of successive federal governments to see fiscal federalism as yielding commensurate political authority in the areas where its money goes, as well as the contemporary idea that Ottawa is deserving of political capital, or popular acclaim for the giving of these transfers. Years of having these expectations go unfulfilled have left neither partner satisfied and abandoning citizens to scratch their heads as hospitals close and university tuitions increase.

The decision to reform EPF, to somehow replace the unconditional block transfer with something more tangible for individual Canadians, a strategy which perversely led to yet another unconditional block transfer, one less wealthy than the previous, was influenced by the "visibility crisis" which the Liberal government associated with transfer payments. What sense could there be for giving away nearly \$30 billion a year without conditions and without the political credit for doing so?

Without conditions and without commensurate influence, most would agree with David M. Cameron that, "federal grants under the Established Programs Financing Arrangement serve no discernable purpose at all."²² Indeed, as Stewart Goodings reminds

²² Cameron, *More than an Academic Question*. . . 438

us, "Using the [EPF] transfers to increase federal leverage has been proposed by many policy makers and members of the higher education community – without notable success."²³ Unconditional block grants do not yield much of this kind of efficacy, and as such possess limited worth for the most pragmatic or cynical of federal officials, beyond the obvious benevolence of augmenting provincial budgets. As Paul Davenport warned in 1981,

[EPF] is an inviting target [for deficit reduction], in part because the money involved is transferred to provincial governments, not to individuals, and the federal government may feel that it receives insufficient political credit for the resulting programs in health and postsecondary education. Higher education appears particularly vulnerable, since it is viewed as less "essential" than many other government services, and therefore the social and political costs of reducing the federal commitment to postsecondary education would be less onerous than in other areas.²⁴

In the absence of provincial acceptance, the Liberals, in a heightened state of deficit awareness, and fearful of a swelling sovereignty movement in Québec, looked for a way to make transfer payments resonate with individual Canadians. Years of social policy development on the part of provinces had diminished the importance of Ottawa in the daily lives of people. An accurate description says that "few Canadians paid much attention to the money that Ottawa sends to the provinces for health, education and welfare. After all, the federal government itself does not run their crucial programs; it merely foots part of the bill."²⁵

As the first option to restore federal visibility, HRDC's income-contingent student loan program, though flawed and rightly doomed to failure, was designed to both fix the problem of provinces spending grant money on areas other than PSE, and to spread the transfers among individual students rather than surrendering them to the provinces. It was

²³ Stewart Goodings, "Postsecondary Education Policy in Canada: Confessions of a Federal Bureaucrat," *Public Purse, Public Purpose*, eds. James Cutt and Rodney Dobell (Halifax: IRPP, 1992) 46.

²⁴ Davenport 5.

²⁵ Mary Janigan, "Dustup over Dollars," *Maclean's* 19 May 1997: 20.

felt that this would be an important first step towards clarifying the federal responsibility in PSE and restoring Ottawa's visibility with students in all provinces. Irrespective of the intent, the plan would not sail among PSE stakeholders.

Students were particularly vocal in their opposition, sometimes to the point of personal rudeness towards the Minister [of HRDC]. But universities also let it be known that they were less than enthusiastic about the whole proposal. Provincial governments, meanwhile, mostly held their official tongues, but their own analyses provided ample grounds for concern.²⁶

Adding to the provinces' concerns could have been the realization that Ottawa could use the visibility crisis to aid in their deficit reduction strategy. Given that transfer payments confuse transparency and accountability for citizens, the temptation would surely arise to "download" part of Ottawa's deficit problem to the provinces through a impoverished transfer system. Ottawa chose to engage in what Larry Brown calls "the hot potato" method, preferring to hand off the problem rather than rectifying it internally.²⁷ The effects of doing so would not accrue immediately to Ottawa, but would be a problem for the budgets of the provinces – which were seen as being healthier at any rate.

The Positive Optics of Decentralization

Long seen by Canadian federalists as a force to be discouraged and resisted, decentralization has seemed to become in recent years as benign as any other policy instrument. Promising greater powers to the provinces at the expense of the federal government has become a way of showing commitment to "renewed federalism." In the absence of a comprehensive and viable national unity strategy and facing a political landscape with few other alternatives, the Liberals were naturally inclined to pursue the positive optics of decentralization. The clamour for greater autonomy, which had been most vocal from Québec, Ontario and Alberta intensified under the restrictions to EPF; the unilateral 1990

²⁶ Cameron, "Shifting the Burden. . ." 171.

²⁷ Larry Brown, "Canada After the Cuts: The country crumbles, the federation fades," Ottawa Public Library, Ottawa, 15 October 1996.

decision to limit welfare transfer growth for Ontario, Alberta and British Columbia under the Canada Assistance Plan; the election of the Bloc Québécois as Official Opposition; and the 1994 election of a sovereignty-minded Parti Québécois in Québec.

An announcement that the Liberals would be unilaterally removing \$6 billion over two years from the transfer system would have been met with outrage from the provinces and would likely energize the pending Québec sovereignty referendum. However, the CHST could be a boon for the Liberals if they were able to convince the provinces, and more importantly the media, that it was part of a new agreement to give the provinces more autonomy. Key cabinet members saw it this way:

[Political minister for Québec, Marcel] Massé immediately saw the possibilities for a big public relations score in Québec, which had long complained about Ottawa's interference in its social jurisdictions. Although the size of the transfers would be scaled back – there was no escaping that – the accompaniment of the offsetting promise to relax federal conditions would put some meat on Massé's assertions of federalism's flexibility.²⁸

This is the way the CHST would be packaged for consumption. The government would pump up the angle that it would be giving more autonomy to the provinces, at the same time limiting its own authority over health, PSE and welfare, and that the cuts to transfers were small relative to reductions in other government expenditures. As Minister Martin announced in the 1995 budget:

We believe that the restrictions attached by the federal government to transfer payments in areas of clear provincial responsibility should be minimized. . . The cost-sharing approach of the past no longer helps the provinces, who have clear responsibility to design and deliver social assistance programs, to do so in a way that is as effective as possible and in tune with local needs. . . As a result, the core rationale for the present segregation of the three transfers [for welfare, PSE and health] into separate categories disappears. . . Provinces will now be able to design more innovative social programs – programs that respond to the needs of people today rather than inflexible rules.²⁹

²⁸ Greenspon and Wilson-Smith 232.

²⁹ The Hon. Paul Martin, PC, MP, *1995 Budget Speech* (Ottawa, 27 February 1995) 17-18.

As for the size of the cuts and their relativity to other government spending, Martin claimed that the CHST would lose only 4.4% by 1996-97, while all other areas of the budget would be down 7.3%. This math runs contrary to that of the provinces, which estimated that CHST transfers dropped 19.5% in 1996-7 alone.³⁰

While the Minister's packaging was compelling, it was at the same time perverse and misleading. For while the government seemed to be giving greater flexibility, it had responded to demands that it stand by the five principles of the *Canada Health Act* and the prohibition of residency requirements for welfare (PSE went unaffected). The real decentralizer was not the surrender of standards or legislated conditions of any sort, but more precisely the removal of billions of dollars which encouraged the provinces to go their own way. As the premiers announced themselves at their 1997 conference:

[The] main point is that since Ottawa has withdrawn funding in so many social policy areas, it shouldn't necessarily have as much control and arbitrary decision-making powers over such programs.³¹

Sadly, decentralization and disharmonization would take place in provincial PSE policy, not because the 1995 budget gave them more autonomy, but because the 1995 budget gave them less money.

IV. Divergent Provincial Reaction in PSE Policy

A person could be forgiven for imagining that higher education policy would be unaffected by the CHST. After all, it is the one area of the transfer which has not been subject to any sort of conditions since the mid 1970s. Conceivably, the provinces could have done whatever they wished with the sector and continued to receive transfer money, which need not even go to colleges and universities. Surprisingly, however, the pan-Canadian "system" persevered with only minor modifications in Québec and Alberta, and a series of studies in

³⁰ Provincial and Territorial Finance Ministers, *Reforming Federal-Provincial Fiscal Arrangements: Towards an National Consensus* (BC Ministry of Finance and Corporate Relations, 10 June 1998) 9.

³¹ William Walker, "Social Program Report Endorsed," *The Toronto Star* 8 August 1997: A24.

Ontario. However, since the CHST, there has been considerable, and in some cases unprecedented movement in the area of provincial PSE policy.

It may be difficult to see all of the divergencies which are emerging in PSE policy as resulting directly from the CHST. Some, like economist Thomas Courchene go so far as to declare that "many of the "evils" of the CHST are really drawn from ongoing developments on the social policy front. . . While one cannot deny that transfer cuts under the CHST may exacerbate these concerns, they are, at base, not CHST related."³² While endeavouring to be holistic in its approach, Courchene's analysis ignores the enormous impact which a \$6.2 billion cut will have on provincial priority setting and policy making. One cannot deny that the restriction of transfers will result in detrimental effects of its own.

A system of transfers that is conceived in fiscal restraint, can only beget further fiscal restraint. As Michael Skolnik reiterates, "[The CHST] has thrust upon the provinces greater pressure for efficiency, accountability and self reliance in postsecondary education."³³ It is only now that Canadians are beginning to observe the outcome of public policy forged of these pressures.

The "system" is frayed and threatening to unravel. Many aspects of PSE policy in some provinces no longer approach a resemblance to that of others. Divergent provincial reactions to the CHST are leading to decentralization, disharmonization and downward harmonization.

PSE Policy Decentralization since the CHST

Higher education policy in Canada is considered highly decentralized. It has always been relatively decentralized (relative to other shared-cost programs) and has become more and more so, but this has rarely affected policy much. To the contrary, decentralization, has been a greater aid to innovation and emulation, often leading to greater harmonization among provinces. Under the CHST arrangement, this is seemingly no longer the case. Under this

³² Courchene, *Redistributing Money and Power*. . . 102.

³³ Skolnik 336.

arrangement, there appears to be a greater reticence by the provinces towards any type of intervention by Ottawa; education has in fact become an even more highly guarded jurisdiction than it once was. Further, in relative terms, PSE is more decentralized than health care, and since the two are now competing for less federal and indeed provincial dollars, it is likely that PSE will become less and less similar between jurisdictions, and therefore less susceptible to any type of vertical intervention.

We return here to our definition of decentralization as being the result of provinces gaining new responsibilities, or achieving limitations on unilateral federal intervention. Decentralization is both a relative and a dynamic term. It is only possible to say that a system is centralized or decentralized by comparing it over a period of time, or with another similar system. At the same time, what may have been considered a highly decentralized arrangement in years previous may be considered very centralized today. As the expectations of either level of government change, so does our understanding of the term. Both methods may be applied to PSE.

Compared to the early 1960s and prior, in which the federal government enjoyed an intimate relationship with the universities, largely to the exclusion of provincial governments, and Ottawa's fiscal and political influence was accepted, if not encouraged, there is virtually none of that today. As Table 4.1 illustrated earlier, the direct federal relationship to institutions has been interrupted by the provinces and the conditions applied to federal transfers have abated to the point where there are not even slight assurances under the CHST. As Larry Brown said in 1995,

Formerly, it used to be that if a province was getting money from the federal government for, say, education, it had to spend that money for education. If it wanted to build a road, it had to use its own money. But now, thanks to the Chrétien government, the provinces don't have to spend the money they get from Ottawa on anything in particular. They can take the federal money that was originally designed for education and spend it to build their road. It's not tied to, or conditional on, any provincial spending. It's a block grant, something like an allowance.³⁴

³⁴ Brown

Compare that to health care. While there are similarly no assurances that any federal monies transferred for health will find their way into the health care line item in provincial budgets under the CHST, the five principles of the *Canada Health Act* constrain the latitude of the provinces to violate certain widely accepted tenets of public health care in Canada. Provinces are free to make financial and policy decisions for colleges and universities entirely on their own, or in cases of greater decentralization, by the institutions on behalf of the province. As for the transfers, provinces have mostly taken the rationalist point of view that money is money and just applied it to their treasury in the string-less fashion in which it was given -- no different than under previous arrangements.

The problem comes with the relative degree of decentralization. In other words, because provincial policy makers fear the penalties of violating the five principles, health care places a greater demand on the monies transferred than education does. For while health care is relatively centralized, its sister program PSE is more decentralized. The net effect is to pit these two policy areas, as well as the less costly provincial welfare programs, and their proponents against each other. Without conditions or performance requirements, the long history of colleges and universities coming up short in the allocation (except in the province of Québec) is liable to continue, and become more pronounced than ever.

Decentralization is also being accelerated by way in which the transfer is constructed. Like with EPF, the tax portion is indexed to GNP, and is therefore the only part of the transfer which is growing. The system-wide cash component is less flexible. When it was originally set in the 1995 budget, it was remarked that "the federal government considers the cash floor of the CHST, set at \$11 billion, is high enough to allow it to retain its power to impose national standards." However, even in the highly protected health care, Health Canada was required to levy \$2,022,000 from Newfoundland, Nova Scotia, Manitoba and Alberta for user fees imposed in 1996-97. Since then the cash floor was increased, as promised in the 1997 federal election campaign, to \$12.5 billion. Nevertheless, as Table 4.3 shows, even in the financially weakest provinces, the tax portion, considered wholly provincial

own source funding, is growing, while cash continues to decline. As with EPF, as federal cash decreases both in relative and absolute terms, the viability of vertical integration and even inter-provincial agreement on social program requirements will weaken.

Table 4.3: RELATIVE CASH AND TAX UNDER CHST BY PROVINCE
(\$ millions)³⁵

	1996-97		1997-98		1998-99	
	Cash	Tax	Cash	Tax	Cash	Tax
Newfoundland	347	216	281	255	274	232
Prince Edward Island	72	52	60	55	60	57
Nova Scotia	511	356	428	378	426	395
New Brunswick	403	288	334	304	332	317
Québec	4541	2799	3866	2969	3808	3105
Ontario	4886	4803	4030	5132	4069	5400
Manitoba	599	430	500	456	498	477
Saskatchewan	495	400	446	385	423	426
Alberta	1123	1178	934	1258	945	1323
British Columbia	1794	1507	1566	1612	1610	1610

The closest the CHST came to approaching a commitment to centralization was a vapid statement in the 1995 budget to the effect that “the Minister of Human Resources Development will be inviting all provincial governments to work together on developing, through mutual consent, a set of shared principles and objectives that could underlie the new Canada [Health and] Social Transfer.”³⁶ While statements of principle, including the Report to the Premiers of the 1996 Ministerial Council on Social Policy Reform and Renewal, and the Calgary Declaration on national unity have begun to set some of these principles, these agreements have been arrived at by the provinces (all but Québec in both cases) to the

³⁵ Source: Finance Canada, “Major Transfers to the Provinces and Territories (1996-97 to 1998-99).”

³⁶ Martin, 18.

exclusion of Ottawa. And though they send some positive signals, like commitments that provinces work towards “national strategies to assist students in financing their postsecondary education,” and “work together to reduce and eventually eliminate barriers to student mobility [and] harmonizing student loan programs,”³⁷ indicating that provincial standards may be achievable, it has not resolved the centralization/decentralization turf battle in PSE.

One indication of this has been the increasing demands of the governments of Ontario and Alberta to further reduce the federal role in education and all other social programs. And though the ostensible objectives are for the elimination of duplication and for greater accountability for citizens, it is also noted that the two provinces are “both net contributors to financing federal spending on various programs, and both chafe at being told by the federal government what to do with the money their provinces have given to Ottawa.”³⁸

A more vivid indication has come from post-CHST federal ventures into PSE, namely the Canada Foundation for Innovation (CFI), announced in 1997 and the Canada Millennium Scholarship Foundation (CMSF) which was the centrepiece of the 1998 budget. Generally, both delved yet again into provincial responsibility for education, though in the more or less acknowledged shared territory of research and student assistance. Both were met with mixed responses from the provinces. As a shrouded attempt to skirt accusations of further federal intervention, and remaining consistent with the Liberal government’s reverence for the corporate sector, both were established as independent agencies headed by federally appointed boards.

The government of Québec was the most resistant to the CFI. Following a political line of reticence towards federal involvement in choosing the research priorities of the province, and fearful of being “asked to help come up with the money to keep [new or

³⁷ Ministerial Council on Social Policy Reform and Renewal, *Report to Premiers* (Jasper, Alberta, August 1996) 10.

³⁸ Richard Mackie, “Harris, Klein to discuss Ottawa’s role,” *The Globe and Mail* 30 June 1997: A5.

renovated labs] operating,”³⁹ the government of Premier Lucien Bouchard forbade its universities to accept the grants, on penalty of a commensurate decrease in their provincial base funding.

The CMSF is in many ways the contemporary manifestation of HRDC’s moribund 1994 loan plan. Though it is not an income contingent plan, the principle of by-passing the provinces to give money to individuals remains intact. The provinces, as well as other PSE groups, though pleased with Ottawa’s effort to ostensibly address the crisis of student indebtedness (a problem which many provinces are themselves creating), have been critical of the decision to introduce new money for a new program, while the system of transfers remains undernourished. The CMSF has awakened a sentiment among the provinces “for much tighter restrictions on Ottawa’s ability to spend or create new programs in areas of provincial jurisdiction.”⁴⁰

Now that the government of Canada is moving into its first budget surplus in thirty years, the provinces are, understandably, calling on Finance Minister Martin to restore, or at least augment the CHST transfers. The Liberals, richer both financially and politically than many of the beggar provincial governments, appears to be rethinking the decentralization stance taken in the CHST. As Prime Minister Chrétien responded to reporters recently,

[When we announced the CHST] everybody applauded, you know, that we were giving them more freedom, and now the people say yes, but perhaps they have too much freedom. . . . When we send the cheque, after that we don’t know what happens with the money. . . . If one takes the doctrinaire position that “we can’t tell you what we’re doing (with the federal money)” . . . well, there’s not a lot of political will to send money that way.⁴¹

Sadly it would appear, the CHST has done nothing but entrench the polemics which is

³⁹ Don Macpherson, “Quebec right to feel leery over research fund,” *The Montreal Gazette* 17 December 1997.

⁴⁰ Edison Stewart, “It’s official: Ottawa has 1st surplus in years,” *The Toronto Star* 24 June 1998: A6.

⁴¹ Chrétien as quoted in Stewart, “It’s official. . .” A6.

discouraging a constructive dialogue to preserve a pan-Canadian system of public higher education.

Provincial Disharmonization in PSE policy since the CHST

Harmonization of postsecondary education policy in Canada has developed out of conditions moderating the natural policy divergencies and fiscal disparities amongst the provinces. As Forget describes, harmonization does not assume that provincial PSE policy has been identical in all jurisdictions:

In federal-provincial relations, the concept of harmonization above all starts from the assumption that there is a degree of pluralism in the social philosophies of the various provinces and the federal government; there would of course be no need to harmonize social policies based on identical objectives.⁴²

By providing steady, predictable funding, the system of transfer payments helped to alleviate the most obstinate pluralities and suppressed petty jealousies and intergovernmental competition in favour of an experimental and observational process of intergovernmental learning where no one province is so fiscally worse off than its neighbour that it can not hope to deliver the same quality of service. The CHST however, has disabled this process, throwing both the likelihood and the value of future harmonization into question.

By freeing and even encouraging provinces to go their own way in the three affected policy areas, reducing the means to meet public expectations for PSE, and pitting universities and colleges against health and welfare, the CHST has distorted the common resources and priorities which have fostered harmonization. Some of this has been exploited by reformist governments with ideological agendas and further complicated by the now unstoppable momentum towards deficit reduction in all jurisdictions. Provincial governments no longer seem to be moving along the same trajectory in areas of tuition fees, student assistance, institutional governance and funding, and research. The predictable pattern leading to harmonization has been discarded at present. Many provinces are experimenting with new approaches in the CHST era, but few others appear to be emulating, perhaps due to

⁴² Forget 98.

uncertainty of the net results of these experiments, or due to principled disagreement with the "rogue-provinces."

Perhaps the most visible indicator of divergence, for students and the financial institutions which make loans available, is in the area of tuition fees. Since tuition makes up the other part of PSE revenues, where sales and investment returns and government transfers leave off, there is a direct correlation between reductions in these transfers and the increase of tuition fees.

The marked decline of federal funding for postsecondary education over the last thirty years has resulted in provincial governments and individual postsecondary education administrators replacing the lost funds with a "special user tax": tuition fees.⁴³

Tuition fees have been increasing long before the CHST was introduced, but since its announcement in 1995, these increases have taken on a startling momentum. And while all provinces have chosen to pass some of their declining revenues on to individual students, jurisdictions appear to be mixed on whether abjectly hiking fees is the solution, or the harbinger of greater problems.

Increases in tuition fees have well outpaced the rate of inflation as measured by the Consumer Price Index. The majority of these increases began with the "six and five" measures under EPF. As Statistics Canada reports, "Between 1985/86 and 1995/96 (the latest academic year for which data is available for the CPI) tuition fees in arts programs have more than doubled, while the cost of living has increased by 37%."⁴⁴

And while these increases are occurring across the board, there is some evidence that they are being pursued to a lesser degree in some provinces. Though it may still be too early for statistical data to yield an accurate depiction of the process which is shifting institutional costs on to students, Table 4.4 illustrates the average degree to which fees have increased since 1995.

⁴³ Canadian Federation of Students, *Strategy for Change*. . . 14.

⁴⁴ Statistics Canada, "University tuition fees," *The Daily*, 25 August 1997.

Table 4.4 PERCENTAGE INCREASE OF FULL TIME UNDER-GRADUATE ARTS TUITION FEES OVER PREVIOUS YEAR⁴⁵

	NF	PEI	NS	NB	QC	ON	MB	SK	AB	BC
1995	7.6	7.5	7.7	6	0.3	9.8	5.2	5.9	10.7	5.2
1996	15	5.3	8.9	9.4	0.6	19.5	7.7	5.9	9.7	1.6
1997	18	7.9	6.8	8.1	0	10.1	3.5	6.3	8.3	1.7

While the table above does show clearly where some provinces, most notably Québec and British Columbia have hardly budged and where others, Newfoundland and Ontario for example, have radically increased fees since the CHST, it does not illustrate some of the more nuanced approaches to the fees question taken by some provinces.

Remaining true to a radical free-market agenda, the Conservative government in Ontario has chosen to adopt an earlier recommendation made to the NDP government to deregulate tuition fees for professional and graduate programs, thus allowing the province's universities to set their own fees in order to compete amongst each other to attract students. This departure from public control of tuition fees, which exists only in Nova Scotia – incidentally, the province which has heretofore led the country in tuition fees – has been seen as leading to a two-tiered system of PSE. By way of contrast, the province of British Columbia is entering its third year of a tuition freeze. Québec similarly, remains the province with the lowest tuition in the country by maintaining a long standing freeze on tuition, with one politically charged exception: as of 1997/98 a move towards differential fees (an increase of \$1,200 per full-time student) for students from outside of the province. Although the decision has been defended by the Québec government as equalling a fee no greater than the average cost of tuition for similar programs elsewhere in Canada, it is the first instance of differential fees being charged in Canada, provoking a recent court challenge.

⁴⁵ Source: Canadian Federation of Students, *1997 Fact Sheet: Tuition Fees – User Fees* (Ottawa: CFS, 1997).

Another area which has seen considerable disharmonization arising from the CHST is institutional governance and funding. Based on their priorities, half of the provinces have chosen to reduce the amount of public money going to colleges and universities (see Table 4.5), rather than further jeopardising health care in the face of an aging population. Under these new priorities, there is little doubt that universities and colleges have universally been made to feel the pinch of the reduced federal transfers and provincial deficit reduction.

Table 4.5: PROVINCIAL AND TERRITORIAL EXPENDITURES ON POST SECONDARY EDUCATION (\$ thousands)⁴⁶

	1994-95	1995-96	1996-97	1997-98
Newfoundland	\$262,336	\$262,888	\$254,594	\$251,474
Prince Edward Island	\$53,860	\$54,322	\$49,705	\$47,764
Nova Scotia	\$488,098	\$489,217	\$470,022	\$465,781
New Brunswick	\$366,453	\$372,956	\$390,412	\$384,663
Québec	\$5,176,179	\$5,108,776	\$5,098,132	\$4,876,090
Ontario	\$5,269,534	\$5,243,865	\$4,699,612	\$4,880,330
Manitoba	\$499,548	\$542,564	\$527,778	\$529,009
Saskatchewan	\$484,675	\$499,421	\$488,851	\$499,810
Alberta	\$1,305,108	\$1,294,582	\$1,321,993	\$1,464,840
British Columbia	\$1,932,447	\$2,030,803	\$2,086,203	\$2,099,765
Yukon	\$12,591	\$10,168	\$10,783	\$11,251
Northwest Territories	\$78,652	\$57,284	\$53,769	\$53,171
CANADA	\$16,064,983	\$16,100,156	\$15,576,944	\$15,689,038

And while some of the squeeze is resulting from governments reeling in their expenditures to yield balanced budgets, the CHST, which some estimate will have removed over \$3 billion from PSE alone by the turn of the century is stepping up the urgency to reform

⁴⁶ Sources: Statistics Canada, "Data Availability Announcements: Table 4" *Education Quarterly Review*, 1997 vol. 4, no. 3: 76-77. Note: Expenditures on PSE include: (i) operating and capital expenditures of institutions, (ii) student aid, scholarships and bursaries; and (iii) direct expenditures by federal and provincial governments. Figures for "Canada" may not equal the sum of the provinces and territories due to the removal of a row described as "Other."

colleges and universities in many provinces. How these cuts have been managed has varied from province to province.

Politicians are taking a firm hand in the division of the spoils: diverting scarce resources to vocational training, pressing universities to work more closely with local colleges, dispensing seed money to private sector educators, and setting aside special funds for universities that produce job-ready graduates or that replace traditional classrooms with high-tech, on-line learning.⁴⁷

In Newfoundland, \$8 million was cut from the system in preparation for the CHST, Nova Scotia institutions have lost \$37 million since 1993, and the Mike Harris government in Ontario cut an unprecedented \$400 million in its first budget. And while some governments like Ontario have chosen to leave the institutions alone to decide on their priorities with reduced funding, others have attempted to direct the reductions themselves, as with Nova Scotia's legislated three year freeze and a three percent rollback of university salaries. The effects of the CHST have been most discernable in the "have-not" provinces. Calling Ottawa's absent support for PSE "short-sighted and counter-productive," a February 1997 press release by the Maritime Provinces Higher Education Commission declares that "Substantial cuts in cash transfers for education from the federal government are having a serious effect on universities and students in the Maritimes."⁴⁸ The 1998 budgets of Québec, New Brunswick and PEI have cut provincial operating grants by 4.5 percent, 1.6 percent and 3.2 percent respectively.

Bucking the convention it would appear, is the government of British Columbia, which has on average increased its grants to universities by two percent from 1993 to 1997, followed by yet another whole two percent increase in its 1998 budget.⁴⁹ Alberta has also been holding the line since the CHST dealt the province a 22% cut in 1996-97 and a 35% cut

⁴⁷ Victor Dwyer, "A Crash Course in Reality," *Maclean's* 25 November 1996: 51.

⁴⁸ Maritime Provinces Higher Education Commission, "Maritime Students, Universities need federal support," news release, 19 February 1997.

⁴⁹ "Four provinces boost grants," *University Affairs* June-July 1998: 22.

in 1997-98. According to the provincial government, they were able to absorb the cuts to health, PSE and welfare because of the province's early deficit reduction efforts -- efforts which had already cost PSE \$170 million in Alberta. As provincial treasurer, Jim Dinning remarked in a 1995 news release:

"The government can make this commitment because our stronger fiscal position gives us flexibility. Ralph Klein's fiscal plan is paying dividends. Without it, we could not give this assurance to health and education institutions. Just ask those in other provinces. They are receiving no such assurances."⁵⁰

On the governance issue, education ministries in virtually every province have been urging greater rationalization of programs between institutions, and the avoidance of duplication. This is no great stretch for a province like Saskatchewan with only two universities, or Nova Scotia where seven of the provinces twelve universities are located in Halifax. But pursuing so-called "centres of excellence" in a province of the size and population of Ontario, involving twenty-one universities is seen as threatening some institutions' cherished programs, and creating geographical barriers to accessibility.

Years of cut backs under EPF, the provincial deficit struggle and now the CHST seems to have fundamentally changed the perspective of those associated with higher education in some quarters. The perspective of many that education, specifically higher education should be run by the bottom-line rather than the more subjective standards of excellence and public accountability is gaining momentum among people like McGill principal Bernard Shapiro: "The financial model of the past fifty years is collapsing and university administrators are having to realize there are no Swiss Bank accounts."⁵¹ Largely, people like Shapiro are reacting to what they are being told by government, which in many provinces is that "competitiveness is the key", and "private partnerships are critical." Both Alberta and Ontario are building on this, the former province having been the first ever to include

⁵⁰ Alberta, Government of, "Health, Family and Social Services and Advanced Education Protected from cuts in Federal Transfers," news release, 30 November 1995.

⁵¹ Shapiro as quoted in Ann Dowsett Johnston, "Measuring Excellence," *Maclean's* 20 November 1995: 18.

“performance” as a criteria in their new financing formula. The casualty of corporate models of management and financing, many in these provinces fear, is that it will increasingly lead to a qualitative shift to market-oriented “skills training” rather than the more holistic notion of education. As with anything government does, whether or not universities and colleges will be adequately funded is a question of policy and priorities. Rather than bombarding academic leaders and the public with corporate inspired cliches, governments should decide, with each other and with citizens whether or not PSE remains a public priority for the future.

Downward Harmonization in PSE policy since the CHST

What some do fear about this new stage of policy setting in PSE is that wherever, and whenever harmonization finally does take place, as the history of the Canadian federation tells us it should, it will be of a most dubious sort. Spending reductions under the CHST, and the poor fiscal and policy decisions which have been made in some provinces as a result of this period, will unfortunately form the basis for all future policy convergence.

This lowest-common-denominator type of harmonization is already recognized, and is being resisted by some provinces. As was explored above, an uneven system of PSE is beginning to emerge. This asymmetry is being caused by some provinces making policy largely consistent with the long standing principles of quality, accessibility, affordability and public accountability, while others have emerged so shaken by the spending reductions under the CHST to resign these in favour of strategies to saving the most amount of money from the system.

The first stage of downward harmonization follows from this, when provincial decision makers remove enough public money from the system to impoverish it, or pass the costs off from governments to individuals in the form of higher user fees. The second stage occurs when those who depend on these services -- in this case students, or even faculty if the issue becomes salaries and research funding -- will take a cue from the “internal market” and move to provinces where higher education is of better quality, or is more easily affordable or accessible. The final stage results in the offended province eventually harmonizing its policies

downward to meet the low standard set by the first province, in order to prevent the strain of immigration on its tax base. The only other option to buck the "race to the bottom," is the highly contentious choice for the generous province to reject the mobility rights of Canadians by restricting the access of those from other provinces to its social programs.

British Columbia is no stranger to the phenomenon of downward harmonization. When several years ago the province of Alberta reduced the funding for its welfare system, BC experienced a high inflow of Alberta residents relocating to avail themselves of its more generous welfare system. Not wanting to reduce welfare benefits for British Columbians, the province imposed a three month residency requirement on welfare applications. The decision earned the province much scorn, and seems to be again under consideration on the issue of tuition fees.

Fearful of another inflow from the east, this time of Ontario students rejecting the prospect of rapidly increasing tuition fees since that province deregulated tuition in the spring of 1998, the B.C. government is considering imposing differential fees for out-of-province students. In doing this, B.C. would be the only province other than Québec, which also maintains very low tuition fees for its students, to discriminate on the basis of residency. The move is motivated partially to get Ottawa to assist the provinces in arriving at national standards for PSE and partially to protect B.C.'s three year tuition freeze policy. As B.C. Advanced Education Minister Andrew Petter remarked:

"Its not a policy choice we want to make. . . But if the choice is between differential fees that protect access and affordability for British Columbians and uniform fees that require us to increase tuitions to levels that are unacceptably high, we will take the former course. . . We are not prepared to participate in a race to the bottom on social policy."⁵²

Already, the system of student assistance grants (money awarded without repayment, often on the basis of need) given to students has fallen unceremoniously to a type of downward harmonization. Whereas in 1990-91, eight of the ten provinces had a system of

⁵² Petter as quoted in Edward Greenspon, "B.C. Fears student invasion," *The Globe and Mail* 8 June 1998: A1.

grants, today fewer than three do. All the provinces and the federal government (through the Canada Student Loans Program) now give loans to students which are increasingly relying on the involvement of major financial institutions. The initial stages of downward harmonization are being compelled by assurances by business interests that they will step into to fill the void vacated by governments and public money, though only so long as there is revenue to be made. Unlike in the United States, higher education in Canada has never been designed to make money and there can be no assurances that it ever will. Over the long run, governments may find through higher student debt and decreased enrollments that removing public funds from PSE creates more problems than it has solved.

V. Conclusions

A few things have become clear through this examination of the CHST and the enumeration of only a few of the variations being adopted in provincial PSE policies. One is the confirmation of Ottawa's continued schizophrenia in PSE policy. The 1995 federal budget seemed to be signalling the last retreat, both fiscally and politically from the provincial jurisdictions. Paul Martin's announcement was that they were no longer interested in pursuing federal objectives in PSE through the maintenance of generous and predictable transfer payments. More direct means would be used, namely the Canada Foundation for Innovation and the Canada Millennium Scholarships, neither of which received universal praise from the provinces. A kind of about-face has emerged relatively recently. With all of the provinces now clamouring for their share of the post-deficit federal windfall the Liberal government is again returning to the mostly moribund idea of conditional transfers (most notably for health) – a return to vertical integration.

However, as politically unpalatable as it may appear, vertical integration may be the only kind of interprovincial cooperation attainable at present. The CHST has turned most of the provinces inward in order to deal with their own pressing budgetary crises in different ways. It seems that where the provinces have been successful in coming together in agreement, it has been over the most obvious and undiscerning of issues: the need for more

money. How this money will be specifically used is a question rarely debated by most. In the most ambitious effort to date, the provincial finance ministers appear to speak long of the need to reform the fiscal arrangements and push for as much as a \$6 billion increase in the CHST, but say virtually nothing of what they will do, individually or collectively, with the new monies.⁵³

It is an important signal that such an agreement be reached, because under the CHST, the harmonization, integration, and predictability which were benchmarks for the pan-Canadian system of PSE have lapsed greatly. More so than in health care, with PSE provincial governments have taken greater liberties. What some have done about program rationalization, tuition fees, institutional funding, institutional governance and research are nothing short of altering the entire philosophy of public postsecondary education. Federal retrenchments foisted upon the provinces may have brought these trends about, but it is highly doubtful that simply restoring cash now will reverse them. The problem may be, as the following chapter examines, that PSE has changed so fundamentally in some areas, that harmonization will only result from the legislated reversal of these transformations, or by their universal adoption. Given the philosophical biases inherent in the changes, this latter possibility will surely spell the beginning of the end for publicly funded, publicly administered, universal PSE in Canada.

⁵³ See Provincial and Territorial Finance Ministers.

CHAPTER FIVE — Provincial PSE Policies and the CHST: Case Studies

I. Introduction

As the previous chapter described, the decisions being made by the individual provinces are the real indicators of the impact the CHST is having on postsecondary education policy. Even though all of the provinces have taken a financial hit coming from the 1995 and subsequent federal budgets, it is not just the reductions themselves which are disturbing the pan-Canadian system of PSE (though they are certainly assaulting predictability, from a fiscal perspective). It is also the provincial reaction to this poorly conceived instrument of social and fiscal policy that is changing the landscape of PSE in Canada.

Using case studies based on the provinces of Ontario and of Québec, this chapter examines the pattern of budgetary reductions and policy changes which have emanated from, or occurred as a result of the CHST in these jurisdictions. The two provinces contribute a large part to the foundations for PSE in Canada. Ontario's 39 community colleges and 21 universities constitute nearly a quarter of the country's institutes of higher education. Its university enrollment is the highest of any one province, with several of these institutions being among the most emulated in the country. Québec's 83 colleges -- 47 colleges in the unique CEGEP (collèges d'enseignement général et professionnel) system -- is the largest of any province. Its universities include four French-language and three English-language institutions with the Université du Québec being the largest in the country and the only truly "province-wide" university.

The choice of Ontario is an acknowledgement of its leading role in PSE policy formulation in Canada. Beginning with the establishment of the University of Toronto and the idea of the public university in Canada, refined by the 1906 Flavelle Commission which laid the foundation for similar advances in all provinces, and perpetuated by an stream of outward looking governments whose political and financial resources have lent predictability and an integrative push to Canadian higher education, Ontario has acted as a centralizing, and

harmonizing force for PSE.

Québec's legacy of leadership in PSE, though at times controversial, has not been entirely incompatible with the approach historically taken by its neighbour. The province's unique national vision, and perspective of its place in the federation has often been manifest in its vigilance towards federal intervention in education. It has also at times seemed counter-intuitive, for in order to promote nascent province-building, Québec governments (both federalist and sovereigntist) have needed to reject federal money out of their principled objection to the strings attached. In this way, Québec has demonstrated leadership on the side of the provinces and on strict constitutional law, always seeming to be a step ahead of the others in terms of asserting what may be considered their rights and obligations.

II. CASE STUDY 1: ONTARIO: Why postsecondary education is no longer Common Sense.

Musing over the evident paradox between the Ontario government's stated commitment to economic growth, contrasted with its policy on PSE funding, University of Toronto president Robert Prichard recently challenged:

Given that access to high-quality higher education is the single best predictor of an individual's economic prospects, and given that every other public service in Ontario is funded at or above the national average, why would you be starving colleges and universities at the very moment when citizens, business leaders, young people and government all agree that access to high-quality higher education is the secure to their future?¹

Indeed, since displacing Bob Rae's New Democratic government in June 1995, Mike Harris' Progressive Conservative government has reiterated the importance of teaching and research, but has been contrarily inclined in its commitment to providing fiscal support for the operation of universities and colleges. For instance, two of the four key economic policy objectives described in a 1997 Ontario Finance document spoke to the need to equip young people for the future, and to build an innovative economy; both times identifying postsecondary institutions as principal actors to these ends.² One would logically expect then, as Prichard does, that a government committed to such aims would make a positive investment in public PSE, or at very least hold the budgetary line. Traditionally, at least, this has been the way of things in Ontario. However, for good or bad -- though the argument will be made for the latter -- this most recent phase of development in Ontario's PSE system has been far from orthodox, and its architects, adverse to tradition and past practices.

The cuts contained in the CHST have made the argument for retrenchment and reform in Ontario's colleges and universities more believable and more immediate. Adding to the

¹ Prichard as quoted in Ann Dowsett Johnston, "Universities: Measuring Excellence," *Maclean's* 24 November 1997: 28-29.

² The Hon. Ernie Eves, Minister of Finance, *1997 Ontario Economic Outlook and Fiscal Review* (Toronto: Queen's Printer for Ontario, 1997) 27.

exigence of restraint, the Conservative government was propelled to power on a promise to provide a 30 percent tax-cut, to reduce “non-priority” spending by 20 percent, and to eliminate the province’s deficit by 2000. Colleges and universities may have been able to weather the federal cuts without terrific difficulty given the province’s rich tax base, but the principles of universality, quality and accessibility which had made Ontario a stalwart in the sector could not withstand a full assault of the dimensions designed by the Harris Government. The CHST has thus become both a cause and a well cultivated explanation for unprecedented cuts from institutional operating grants, short sighted and insular policy innovations regarding tuition fees, student assistance, and alternative funding, as well as provoking conflict between Ontario and the other provinces, and between Ontario and Ottawa. That this province has taken a radical departure from its traditional, centrist roots and become a destabilizing force in the “system” is very much result of the neo-liberal, market-oriented penchant of this particular government in dealing with the CHST within the narrow context of its own agenda.

A. Fiscal Impact of the CHST in Ontario

In the mid-1990s, the deficit was identified as the key cash flow problem for the province of Ontario. Over the span of the NDP government, the figure rose from about \$3 billion in 1990 to nearly \$9 billion in 1995. The problem was not that the NDP was making good on so many of its costly promises to reinvigorate social programs, but rather that it was trying to hold the line on these programs while facing a recession longer and deeper than all previous recessions, compounded by federal cuts to EPF transfers and burgeoning welfare costs since Ottawa had frozen Ontario’s transfers under the Canada Assistance Plan (CAP).³

The announcement of the CHST only made a bad situation worse. Though the CHST promised to remove only 10 percent of Ontario’s funding for PSE, health and CAP, the anatomy of the reductions betrayed a far more bleak reality from Ontario’s perspective. As

³ See quote by Ontario treasurer Floyd Laughren in Thomas Walkhom, *Rae Days* (Toronto: Key Porter Books, Ltd., 1994) 104.

Table 5.1 indicates, the federal pronouncements were based on its vision of the total transfers, including both cash, plus the tax-room, originally transferred under the 1967 Federal-Provincial Arrangements and later augmented under EPF. Disputed as the “Big Lie of Canadian public finance,”⁴ – that the tax-room should even be considered part of the CHST calculations – was not a perspective shared by Ontario, nor by virtually any other province. Revenue line items for the federal transfers included only the cash component; the tax having been handed over long ago, and not likely to be clawed-back by a future federal government. The true reduction of the CHST then, in the eyes of the Ontario treasury and Cabinet, was not a heavy 10 percent, but a massive 22.6 percent one year cut from 1995-96 to 1996-97. With the CHST building upon the losses incurred by the “have-provinces” under EPF cuts and the CAP freeze, “Ontario would,” Susan D. Phillips describes, “be the big loser, bearing 54 percent of the cuts - \$3.6 billion over two years - which is more than the loses of all of the other provinces combined.”⁵

Table 5.1 ONTARIO TRANSITION TO THE CHST (1995-96 - 1997-98)⁶					
	1995-96 (EPF and CAP)	% change	1996-97 (CHST)	% change	1997-98 (CHST)
Tax	\$4,449,093,000	6.9	\$4,756,614,000	7.9	\$5,132,000,000
Cash	\$6,368,528,000	-22.6	\$4,925,344,000	-18.2	\$4,030,000,000
TOTAL	\$10,757,621,000	-10	\$9,681,958,000	-5.3	\$9,161,000,000

The NDP government saw this as more evidence of Ottawa’s economic discrimination

⁴ J. Stefan Dupré, “Comment: The Promise of Procurement Federalism,” *The Future of Fiscal Federalism*, eds. Keith Banting, Douglas M. Brown and Thomas J. Courchene (Kingston: School of Policy Studies, Queen’s University, 1994) 250.

⁵ Phillips, “The Canada Health and Social Transfer. . .” 78. The \$3.6 billion estimate from the 1995 Ontario Budget ended up being less than this due to adjustments and clarifications made in the 1996 federal budget.

⁶ Sources: Canada, Treasury Board, *Public Accounts of Canada, 1995-96; 1996-97*; and Canada, Finance Canada, “Major Transfers to the Provinces and Territories (1996-97 to 1998-99)”

against the province, and fearing a provincial election on the horizon, the Premier acknowledged that the transfer system dealt the fatal blow to the province's books:

[The CHST] tightened the financial squeeze on Ontario – to the tune of \$2.5 billion – and we knew full well that a detailed program to deal with the full impact would be, to borrow a phrase from an ill-fated Labour Party campaign in the U.K., “the longest suicide note in history.” Ontario's interests were badly served by the Martin budget, but try as we might there was not as much political currency in saying so as we had hoped.⁷

Tory leader, Mike Harris, on the other hand, found the CHST praiseworthy in its own right -- as a long-overdue effort to rein in what he considered out-of-control federal spending -- an objective complementary to his own goals. Having the federal Liberals firmly on the smaller government, deficit reduction bandwagon could only grant credibility to the Ontario PCs and their agenda. But in spite of their outward praise, the Tories, in a heightened state of campaign readiness by the spring of 1995, recognized that the CHST would affect their own plans. The *Common Sense Revolution*, their much-touted campaign document, which unlike the federal Liberal *Red Book* of 1993, would surprisingly form much of the government's post election agenda, had to be rewritten as a “5th Edition: Post-Martin Budget,” to reflect a longer target date to deficit reduction:

Originally, we had planned to balance [the budget] in four years, but the large reduction in transfers to Ontario, announced by Finance Minister Paul Martin in April 1995, made five years a more realistic and achievable goal.⁸

But this would prove the only part of the PC governing agenda to be revisited as a result of the CHST. The controversial tax-cut would remain, even though it would cost a minimum \$5 billion over four years⁹ and was built on the long logic that such a move would increase consumer confidence, create jobs, and thereby aid the government's deficit reduction efforts.

⁷ Bob Rae, *From Protest to Power: Personal Reflections on a Life in Politics* (Toronto: Viking, 1996) 260.

⁸ Progressive Conservative Party of Ontario, *The Common Sense Revolution*, 5th ed. (Toronto: PC Party of Ontario, 1995) 18.

⁹ Mendelson.

The other impact that the CHST had on the finances of Ontario and the other provinces, was to remove much of the predictability of the transfer. As it was initially announced, the provinces had little idea of how their entitlements would appear after the first year. While EPF had as its basis equal per-capita transfers (subsequently manipulated by the retrenchments of the 80s and 90s), the CHST, increasingly obvious as an interim formula, was based only on previous year's entitlements. Fiscal predictability, essential to good social programs and the fragile pan-Canadian PSE system, was absent in the CHST. As Michael Mendelson describes, the result was a heightened anxiety reflected in the budget cuts:

In the multi-year fiscal projections for their budgets, all provinces had to make assumptions about what they would get from the CHST in 1997-98. The previous Ontario government's Budget plan assumed Ontario's worst case scenario – that the federal government would continue the distribution of the CHST on the 1996-97 basis.¹⁰

B. PSE and the Philosophy of the Harris Conservatives

The recent changes begun in some provinces, like those in Newfoundland, have been described as being driven by cost-saving and streamlining rather than by a comprehensive plan for changing the system.¹¹ Ontario, oft criticised for having no coherent design for higher education¹², could easily be seen as following the same aimless trajectory in this most recent phase of development. To the casual observer, the reduction of overall grants to institutions, the annual tuition increases (averaging at 20 percent per year), the decision to allow market influences to set some fees, encouraging greater reliance on private sector involvement and

¹⁰ Mendelson.

¹¹ Allison Drummond, *Background 4: Post-Secondary Education Reforms in Other Provinces*. (Toronto: Ontario Legislative Library, 1996).

¹² In their background study for the Advisory Panel on Future Directions for PSE, David M. Cameron and Diana Royce describe the history of higher education policy in Ontario since 1965 as being "characterized by loosely linked, ad hoc and incremental policy decisions whose policy origins are rooted in [Premiers] Robarts and Davis's public statements on one hand, combined with a continuous search for advice with respect to new policy directions from commissions, committees and task forces on the other." Ontario, Ministry of Education and Training, *Excellence, Accessibility, Responsibility: Report of the Advisory Panel on Future Directions for Postsecondary Education* (Toronto: Queen's Printer for Ontario, 1996) 76.

charity donations, and the spectre of privatization of student assistance, and possibly institutions, all suggest a short-sighted, incremental approach to the crisis caused by a temporarily weakened public treasury. From this even comes the comforting thought that these measures may be undone when order is returned to the “fiscal house.”

What is also possible, is that these disturbing trends away from the tradition of public PSE are in fact not stop-gap mechanisms, but the earliest manifestations of Ontario’s comprehensive plan for changing the system. Though they may be misconstrued as such, the Harris cut backs and policy reform may not all be entirely reactionary. Their plan for PSE, described in part in the *CSR*, but clear to many on the hard-right of the Party, is posited on one simple notion: to as much as possible remove it from the responsibility of government. The reason many cannot see this is because it is so far removed from traditional political ground of the province, and for that matter of the Ontario PC party.

A political dynasty of sorts, from 1942 to 1985, the PC Party governed Ontario. As in no other province, one party had engineered and overseen the development of the modern welfare state. Through massive public expenditure on institutions, administrative costs, student grants and loans, and by moderating the costs of education borne by individual students, the Tories were largely responsible for building the largest system of public higher education in the country. However, as Peter Wolstencroft remarks, the PCs under Mike Harris little resemble the PC Party of John Robarts and Bill Davis:

[Their] party would undergo enormous changes in its internal structures, operating processes, and ideological orientation, so there was little beyond their nameplate that connected the Progressive Conservative parties of 1985 and 1995. . .¹³

With a rightist agenda that critics described as zealotry, the Mike Harris government entered Queen’s Park with the objective to undo the “ten lost years” of the Liberal and NDP governments. But their agenda, as described by the *CSR*, meant more than just turning back

¹³ Peter Wolstencroft, “Reclaiming the ‘Pink Palace’: The Progressive Conservative Party Comes in from the Cold,” *The Government and Politics of Ontario*, ed. Graham White (Toronto: University of Toronto Press, 1997) 366.

the clock. For this government it meant taking the province in a very different direction by rejecting public spending on “non-priority” areas -- from which health, law enforcement and classroom spending were selectively excluded; rejecting public consultation as being “captive to big special interests;” and rejecting taxation as being little else than theft perpetrated by arrogant governments.¹⁴

According to this logic the market interest is the public interest. Believing that there is a greater virtue to private enterprise than public enterprise, the Harris government adopted an approach ambivalent to the idea that some things serve a purpose beyond contributing to personal or corporate wealth and therefore cannot be treated as commodities. As Bill Graham, president of the Canadian Association of University Teachers describes, “In this narrowed focus the needs of society are reduced to the economic needs of the private sector while the broader and more basic social, cultural and even economic needs are ignored.”¹⁵

For PSE, the implementation of the reforms contained in the *CSR* meant “brushing aside any of the traditional consultative mechanisms associated with the sectoral approach to higher education in Ontario.”¹⁶ Acting quickly on what it perceived as its mandate, the Harris government ignored, or dismissed the criticisms or opinions of universities, colleges, students, or other stakeholder groups, resulting at times in violent confrontations. However, the cut backs and partial tuition deregulations were only the first part of the agenda: the part which would set the stage for the crucial tax-cut and pave the way to a balanced budget by 2000. The second stage of reforms went beyond the *CSR* to institutionalize the government’s broader plan for PSE: one that would impart the free-market principles which were felt to be lacking in the system. This stage took on a more traditional visage, that of an appointed panel

¹⁴ Thomas Walkhom, “The Harris Government: Restoration or Revolution?” *The Government and Politics of Ontario*, ed. Graham White (Toronto: University of Toronto Press, 1997) 410-11.

¹⁵ Bill Graham, “Editorial: What’s Wrong with the Dialogue on Education?,” *CAUT Bulletin* June 1998: 20

¹⁶ Glen Jones, “Higher Education in Ontario,” *Higher Education in Canada: Different Systems, Different Perspectives*, ed. Glen Jones (New York: Garland Publishing, 1997) 155.

to study the sector and report on such issues as, tellingly, “the balance between student, private sector, and provincial government shares of post secondary funding, accessibility, program rationalization, and cooperation among the public educational institutions.”¹⁷ The Panel, composed of five individuals affiliated with PSE, as well as government and the private sector, was also given the go-ahead to look at the possibility of private universities, calling further into question the impartiality of the process. Referring to the inclusion of a former Tory education minister, Bette Stevenson on the panel, former NDP education minister Dave Cooke remarked “Sounds to me (like the report has already been written. She lobbied me [for private institutions] when I was the minister.”¹⁸

However, irrespective of its membership, the frame of reference for the panel indicated its leanings. Clearly uninterested in strengthening the fiscal and political relationship with institutions and philosophically disposed to pass the public costs onto individuals in the form of higher fees, the Harris government manufactured a panel to make conclusions to this effect.

C. Ontario's Reaction: The Commodification of Postsecondary Education

Of course, what the CHST removed in cash transfers, it supposedly gave back in terms of decentralization. The provinces would be allowed to rebalance their costs for PSE, health and welfare to suit their new fiscal capabilities. Such flexibility would invariably come at a cost to PSE since as Courchene describes “the political constituency for PSE has proved to be rather ineffective or, at least, certainly not in the league of either the health lobby or . . . the welfare lobby.”¹⁹ Effective or not, the advocates of public investment and the pan-Canadian system in Ontario were up against a government very determined to implement an agenda largely disinterested in past practices, or the affairs of other jurisdictions. As the chairperson of the Canadian Federation of Students (Ontario) told the Senate committee studying PSE in

¹⁷ Ontario, Ministry of Education and Training, *Discussion Paper: Future Goals for Ontario Colleges and Universities* (July 1996) preface.

¹⁸ “Ontario looks at private universities,” *The Ottawa Citizen*. 17 July 1996.

¹⁹ Courchene, *Redistributing Money and Power*. . . 81.

April 1997, “the CHST has made it very easy for governments, such as the Harris government, who do not hold postsecondary education in high regard, to pass on the cuts in a disproportionate way.”²⁰

While it would be difficult to imagine that the Ontario government would have chosen any other route than that which they have in the absence the leeway offered by the CHST, it should be noted at the same time that the arrangement has done little to discourage their radical innovations.

i) Retrenchments

Only those who read universities and colleges into the CSR’s promise that “classroom funding for education will be guaranteed,”²¹ and those political cynics which Harris and his team were appealing to, could have assumed that PSE would not be cut dramatically by the PC government. That very same campaign document announced the Tories’ belief that “sufficient funding can be provided [to universities and community colleges] while still reducing the burden on taxpayers by \$400 million.”²² Believing that the institutions had had it too good for too long and where fraught with waste and administrative duplication, the government set out to begin rectifying this less than two months after the election by announcing in-year spending reductions to colleges and universities of \$6.8 million and \$16.8 million respectively.

The lion’s share of the cutbacks however were announced in the province’s November 1995 economic statement, which followed through on the promised \$400 million in cuts to PSE – \$280 million from universities and \$120 million from colleges. As Table 5.2 illustrates, the spending reductions translated into a 19.7 percent drop in the operating grants of

²⁰ Vicky Smallman, Chair, Canadian Federation of Students (Ontario), as quoted in Senate, Subcommittee on Postsecondary Education, *Proceedings of the Standing Committee on Social Affairs, Science and Technology Subcommittee on Post Secondary Education*, Issue 13 - Evidence for the morning sitting (16 April 1997).

²¹ Progressive Conservative Party of Ontario 8.

²² Progressive Conservative Party of Ontario 12.

postsecondary institutions.

An interesting point of comparison may be drawn from how the cuts were managed. In much the same way as the federal Liberals had given the provinces greater flexibility in exchange for fewer dollars, the Harris government took the same route with colleges and universities. So even though the province was essentially “downloading” its own revenue reductions onto its transfer partners, euphemistically known as MUSH (municipalities, universities and colleges, school boards and hospitals), it would agree to allow them greater leeway for revenue generation: primarily through increased user fees for public libraries and museums, some hospital services, municipal licences, and in the case of PSE, tuition fees. By choosing the route of greater decentralization, just as the federal government had, the Harris government strategically diluted public outrage against its cuts by putting its MUSH partners into the unenviable situation of having to choose between making their own cutbacks, or increasing fees. The sum result would be a continuing shockwave of cutbacks and fee increases emanating from Ottawa, through Queen’s Park, through the universities and colleges and down to the citizens.

**Table 5.2 ONTARIO GRANTS FOR UNIVERSITY AND COLLEGE
OPERATING COSTS²³**

	1995-96	% change	1996-97	% change	1997-98
Institutional and related support	\$2,785,390,000	-19.7	\$2,237,883,300	4	\$2,327,227,700

Since the cuts announced for 1996-97, the Ontario enjoys the dubious distinction of

²³ Sources: Canada, Human Resources Development, *Federal and Provincial Support to Postsecondary Education in Canada: A Report to Parliament 1995-96* (Ottawa: Minister of Public Works and Government Services Canada, 1997) 8; and Ontario, Management Board Secretariat, *Expenditure estimates for the Province of Ontario for the Fiscal Year ending March 31, 1997*, Vol 1 (Toronto: Queen’s Printer for Ontario) 81; and Ontario, Management Board Secretariat, *Expenditure estimates for the Province of Ontario for the Fiscal Year ending March 31, 1998*, Vol 1 (Toronto: Queen’s Printer for Ontario) 83.

being the at the lowest end of the ten provinces in terms of per-capita spending on PSE. Though Table 5.2 indicates a slight increase in institutional funding, the Harris government has announced that there will be no increases in institutional funding. According to Ashkan Hashemi of the Canadian Federation of Students (Ontario), this 4 percent increase is:

due to various adjustments made in the college and university funding formulas, most notably pay equity provisions which this government could not legally get out of. However, it is important to note that no new money is actually directly entering the postsecondary system. The Tories have frozen funding at 1996-97 levels. When inflation is added to the equation, such a freeze actually represents a roughly 2% per year decline in funding for postsecondary education.²⁴

The question remains as to whether this situation will be improved by this, or a future government deciding to reinvest, or whether it will simply give way to greater unpredictability as other provinces choose to “follow the leader” on a downward slope.

Other sectoral changes would also directly result from the Tories’ program of restraint. Despite the suggestions of administrators and faculty leaders to merely review the mandate of the Ontario Council on University Affairs (OCUA), the government’s decision was to abolish the system-wide advisory body, leaving the ministry alone to approve new programs and arrange funding. Though not all provinces have kept the advisory bodies which were an indicator of harmonization in the period of rapid growth, no other province has a system nearly as large as the one in Ontario. Without OCUA, smaller universities “will face a tremendous challenge in advising the minister of matters affecting [them],” a situation of little concern for larger institutions, like the University of Toronto.²⁵ Given that the report of the Advisory Panel on Future Directions for PSE (the “Smith Commission,” named for its chair, David C. Smith, principle emeritus of Queen’s University) has since called for the reestablishment of a system-wide advisory council, it seems clear that the decision was

²⁴ Ashkan Hashemi, Researcher, Canadian Federation of Students (Ontario), electronic mail, 21 July 1998.

²⁵ The president of Ontario’s youngest university made this observation in announcing the closure of OCUA in June 1996. See Nipissing University, “Minutes of the Academic Senate,” (7 June 1996) Internet. Available: <http://www.nipissing.edu/departments/bog/senmin/96jun.htm>

motivated by both the cost savings, and by the belief that with greater decentralization and competition in higher education, market forces will prove better at regulating the system than any government body can.²⁶

ii) Policy Innovation

In a sense, the cutbacks precipitated by the CHST are its most obvious result. What is less so, and more interesting for the purpose of this paper is the resultant policy innovations which have emerged from the CHST and the overarching climate of retrenchment in Ontario. These innovations are the product of the narrow, market oriented, smaller government agenda of Premier Harris and as such are designed to remove government (and therefore public) influence over the sector, call upon students to pay a greater share of the costs of education, and retune institutional structures and functions to the demands of the private-sector and the job market.

Since the cut-backs, the government has been accosted by all sides in the debate calling for increased revenues to PSE. Administrators, echoed in the December 1996 report of the province's advisory panel, remarked that the quality of programs, facilities, faculty and research infrastructure are now in jeopardy because of the cuts. More sensitive to arguments in favour of educational excellence, than of accessibility to education, the government's response has been deregulation.

This deregulation is occurring in two separate, but related ways. The first way, largely unnoticed to all but the sector's planners and decision makers, is a general loosening of the amount of control government can exercise over institutional governance. In large part, this is the preferred outcome for academics who have long feared the priority-altering influence of government on their research. And though Mike Harris himself seemed to be indicating otherwise with his off-the-cuff remark about abolishing tenure during the election campaign,

²⁶ Other observers have added that OCUA's fate may have been sealed by political forces led by the "Big 4" universities (Toronto, Queen's, Western, and McMaster) who were pushing against OCUA for a more deregulated system. Dr. Jill Vickers, notes provided on an earlier draft of this paper, 15 September 1998.

there has in general been a move away from precisely this sort of micro-managing. Instead, the government appears to be encouraging institutions to go their own way by developing so-called "centres of excellence" in specific fields, potentially at a cost to the long standing notion of comprehensiveness at the undergraduate level. No longer having priorities set for them by OCUA, or Queen's Park, these public institutions will succeed or fail based on their ability to attract tuition dollars through students. As University of Windsor President, Ross H. Paul describes:

In an increasingly deregulated university environment, the competition for students will be ever tougher. Among the critical factors attracting students to a given institution will be its reputation for teaching and research, the perceived success of its graduates on the job market and in graduate school, the quality of student services and student life, overall campus atmosphere and the financial advantages it offers (availability of scholarships and bursaries, work/study opportunities, fee levels, etc.).²⁷

Deregulation of institutions, if it goes much farther than it has already, will call into question the longstanding hallmark of PSE in Canada: that one institution is, in terms of quality of undergraduate programs and faculty, by and large, the same as the next. While this principle has become somewhat tarnished by the perception of prestige attached to larger universities, this has been greatly based on perception, and not rooted in reality. Encouraging inter-institutional competition leaves some legitimately fearing the emergence of a two-tier system of education: "We will have these great bastions of education, building from strength to strength and a second string of universities left trying, in vain, to catch up."²⁸

The other manifestation of deregulation is the one most evident to Ontario students, their families and lending institutions – the deregulation of tuition fees. Enigmatically promised in the CSR as "charging students a fairer share of the costs of the education they

²⁷ Ross H. Paul, *Strategic Directions for the University of Windsor: A Position Paper*. (Windsor: University of Windsor, 1998) 4.

²⁸ PhD student Stephannie Roy as quoted in Victor Dwyer, "Academia Inc.," *Macleans* 24 November 1997: 68.

receive,”²⁹ and partially implemented in the November 1995 announcement which allowed universities the discretion to raise fees another 10 percent above a mandatory 10 percent increase, the Harris government has moved to letting boards of governors and the “market” set fees. At the same time, fees for international students (those studying in Ontario from outside the country) were completely deregulated to individual institutions; giving up on an earlier system which collected all international student fees to be pooled provincially and distributed to every institution. The 1997-98 budget, though holding the line on operating grants to institutions, paradoxically announced that tuition would not increase, though universities would be given the option to increase tuition for each program by as much as 20 percent as long as the average total tuition at any institution increased by no more than 10 percent. The net effect was a government imposed tuition increase, since no university would want to impoverish itself relative to others.

The latest manifestation of fee deregulation has proven the most dramatic, and the most convincing of the policy intentions of this government. In May 1997, the Ministry announced a total deregulation of fees for medicine, law, business, dentistry, optometry, pharmacy, veterinary medicine and all graduate programs. The impact of this will be felt almost immediately, with fees increasing to as much as \$11,000 in 1999 for medical students at the University of Toronto. As David Scott, of the Council of Ontario Universities points out, the strategy of deregulation is a political response to a financial problem. “Each institution will set their own fees. That is what the government has been wanting to do – shift the burden of responsibility on the boards of governors.”³⁰ Not all universities will benefit equally from this arrangement. As Windsor President, Paul predicts:

Fee deregulation will continue so that universities with high demand programmes will be able to charge significantly more for them, even to the extent that they can then subsidize other lower fee programmes. It follows that universities that do not develop a significant number of high demand programmes will be at an enormous disadvantage

²⁹ Progressive Conservative Party of Ontario 12.

³⁰ Tanya Talaga, “Students facing big hikes in tuition,” *The Toronto Star* 7 May 1998.

in trying to maintain quality and compete for enrolments.³¹

The pressures of a system like this will likely be unforgiving for institutions, who will feel the pressure to “remain competitive,” evaluating programs based not on their appeal for students, or on the need for universality, but on their marketability. It is clearly an agenda which will favour the larger institutions (which is why those like the University of Toronto have advocated total deregulation³²), potentially at the expense of smaller ones. For students, pursuing an education in Ontario will in the future entail an unprecedented financial risk – one which an increasing number may be unwilling to take.

One area where the Tories have departed from their policy of greater autonomy for institutions, is on their insistence that higher education become increasingly “relevant” to the needs of the job market. On behalf of the “knowledge based economy,” Premier Harris and his Minister of Education David Johnson (John Snobelen until the winter of 1996) have been virtually relentless in selling this message to institutions, particularly universities. The consequences are not simply that old programs need to be reinvented, or that new ones need to be created, but is instead advocating a more radical agenda towards the elimination of programs deemed “irrelevant.” The Premier drew fire from critics for statements made in November 1997 to a group of business and university leaders to which he challenged: “Who in the university system will decide to reduce enrollments or close programs when there are few jobs available in a profession, like certain professional or PhD programs?”³³ The Premier’s perspective, insinuating that only the marketplace can determine whether or not a graduate of a particular program is able to contribute to society in a meaningful way, is strikingly contradictory with the notion of education for its own sake. What this perspective

³¹ Paul 4.

³² John Baird, MPP (Nepean) as quoted in Allison Hanes, “Tories hike tuition for second year in a row,” *The Charlatan* (Carleton University) 6 February 1997: 9.

³³ Hon. Mike Harris, MPP, “Notes for remarks by the Honourable Mike Harris, MPP: Council of Ontario Universities Summit.” 19 November 1997. Though the media picked up and widely reported the Premier as having singled out graduate programs in geography and sociology, the notes of the speech do not include this.

betrays is the absence of a holistic understanding of the role of higher education, and the role of the public sector therein. As Avie Bennett, remarked at his installation as the chancellor of York University:

[I don't] buy the thinking of those in government who say that departments with names like Classics or Philosophy should be shut down because they are useless in the corporate world. The problem with those who think this way is that they understand training, but not education. Education isn't about the career path. It's about the other paths we can choose to take, and I believe that your job as educators is to show us the way down those other paths.³⁴

The fear that training may be displacing education has also resulted from the Harris government's attempts to create a climate in which corporations are more likely to give, and institutions are more likely to accept (or even seek out) corporate donations. The centrepiece of this is the province's new Research and Development Challenge Fund which is expected to generate \$500 million for university research, but only in the natural sciences, engineering, math, health sciences and environmental sciences. Further, the Fund stipulates that in order to receive any funding, the university must be able to secure a matching private investment.³⁵ Many researchers in Ontario are beginning to ask where this will lead; at what price do we accept this new source of funding? The priority setting influences attached to corporate funding may be considerable.

So while the Harris government's pro-market reforms to PSE may have removed big government as a threat to the autonomy of institutions, it has merely been replaced by the equally foreboding, though less accountable presence of big business.

iii) Vertical Conflict

Responding to the CHST, or at very least inspired by its accompanying program of decentralization, Ontario has also been engaged in a marked change of relations with the federal government in PSE. It is exhibiting, in general, a more confrontational posture than

³⁴ Avie Bennett, "Address by York University's New Chancellor," York University, Toronto, 29 May 1998. Internet. Available: <http://www.yorku.ca/special/chancellor>.

³⁵ Dwyer, "Academia Inc." 70.

the province has in the past, and is cooler towards fiscal federalism and Ottawa's recent efforts to re-engineer the system. In the short-run this may just be one government's response to what it sees as Ottawa's retreat from the social union, but in the long-term, its effects may prove to be an impediment to any future return to a cooperative version of federalism in PSE.

This sea-change is evidenced by the 1996 report of the Smith Commission. Notable is the absence of mention which the panel thought to give to the role for the federal government. Any survey of the lay-of-the-land in higher education in Ontario would almost certainly be expected to make some mention of Ottawa. Previous commission reports, such as the 1984 Bovey Commission on the Future Development of the Universities in Ontario made no fewer than six recommendations under the rubric of "Federal-Provincial Cooperation," and spoke long of the "wider than provincial significance" of postsecondary education.³⁶ In contrast, the Smith Commission mentions the federal government only twice in its recommendations; one as a call for changes to the federal tax-collection system to aid in student assistance.

The most ambitious challenge Ontario has put to the federal government relates to the Harris government's proposed student loan plan. The implementation of the CSR's promised income-contingent repayment plan (ICRP), originally targeted for September 1996 has been stymied time and again because of the overwhelming set-up costs of the system. In what may be a last ditch measure to save the doomed policy initiative, the Smith Commission's report endorsed ICRP and requested that the federal government be urged to "provide appropriate assistance and support to this effort, including administering the tax aspects of the Plan under the Federal-Provincial Tax Collection Agreements."³⁷ Though Ottawa did respond by reversing its policy against income-contingent plans with a statement in the 1997 budget, it

³⁶ Ontario, The Commission on the Future Development of the Universities in Ontario. *Ontario Universities: Options and Futures*. (December 1994) 34.

³⁷ Ontario, Ministry of Education and Training, *Excellence, Accessibility, Responsibility: Report of the Advisory Panel on Future Directions for Postsecondary Education* (Toronto: Queen's Printer for Ontario, 1996) 7.

is believed that this may have been part of a *quid-pro-quo* to gain Ontario's cooperation for the proposed changes to the Canada Pension Plan (CPP)³⁸. Perhaps as proof of this, little public mention has been made since then of ICRPs in either Toronto or Ottawa, and the new Millennium Scholarship program seems to have grabbed the attention of those concerned with student aid federally. Much of the luster has come off the idea of ICRPs in Ontario. Without the federal backing, even the banks are hesitant to get involved in an expensive and difficult to administer loan program.³⁹ The Ontario government has now adopted "Plan B," which according to a *Toronto Star* editorial, is "silence and stealth." The ICR plan failed to be mentioned in the most recent Ontario budget and has subsequently been "dumped onto the universities" by giving them greater control over the fees they charge and their "in-house" student awards.⁴⁰ It should be understood however, that the ICR plan has not lapsed because of Ottawa putting its foot down in a traditional vertical fashion, but instead because Ontario was bucking a generally accepted sentiment in favour of student debt reduction, shared by the federal government and other partners, including the banks. The Harris loan plan has, not surprisingly, fallen victim to the prevailing winds which made such a plan necessary in the first place: that of reduced public spending.

Ontario has had the opportunity to express its new perspective towards partnership with the federal government in federal-provincial discussions around renewing the CHST and fiscal federalism in general. Some vertical conflict related to PSE and the other policy areas has come from this. Most recently, the provinces have agreed to press Ottawa for the restoration of the \$6 million in cuts imposed under the CHST. As Ontario finance minister Ernie Eves has expressed the consensus:

All we're asking is that now that economic times are better and the federal

³⁸ Jocelyn Charron, Government Relations Coordinator, Canadian Federation of Students, personal interview, 17 March 1997.

³⁹ Sarah Schmidt, "Student aid reforms on their way," *The Varsity* (University of Toronto) 27 November 1997.

⁴⁰ "Debt and tuition: all that's certain," editorial, *The Toronto Star* 1 June 1998.

government has a fiscal dividend, before they look to dream up new programs and places to spend it, please restore what you've taken away over the past three years.⁴¹

However, while there may be good logic behind the request, Ontario has repelled suggestions that any new money may be tied to PSE. If such an agreement were to be reached, Eves has already indicated that the government would want extra money on top, about \$4 million to fix areas which the province has had to cut from to shore up funding for health and social services.⁴² More telling than this is the fact that the Harris government has, at all prior provincial forums, been consistently on the side of further devolution of social programs and taxation powers to pay for them to the provinces. Based on these past indicators, it is hard to imagine this same government willingly embracing new federally enforced rules for transfers.

iv) Horizontal Conflict

What the Harris government's has done to PSE policy arising from the CHST, both in retrenchments and policy changes, is the subject of scrutiny in the other provinces. The experiments with free market notions attached to tuition fees and institutional autonomy are being watched with both interest and trepidation by provincial governments who have not taken as radical an approach with PSE. While none have expressed serious interest in emulating the Ontario model (though Alberta did pioneer some of the reforms later adopted) most seem to realize its broader than provincial implications. Ontario's changes make future harmonization and integration in PSE increasingly unlikely, at least for the provinces that want to maintain a strong public financing and control over the sector. Advocates of this will be up against the likely downward harmonization effects which accompany the Ontario model, including student migration to lower tuition provinces and the resultant adoption of differential fees; budgetary pressures to cut from PSE in order to provide a higher level of

⁴¹ Eves as quoted in Laura Eggerton, "Provinces push for \$6 million," *The Toronto Star* 16 June 1998.

⁴² Laura Eggerton, "Provinces push for \$6 million," *The Toronto Star* 16 June 1998.

other services; and the likely demands for a two-tier system of education in other provinces to compete with Ontario's most exceptional institutions with increasing private backing. Such a scenario will only exacerbate differences and disparities between jurisdictions and between institutions. Surely no pan-Canadian system of quality and accessible PSE will emerge from this. Fortunately so far, Ontario is isolated from the other provinces in its preference for ICRPs, is alone with Nova Scotia in its adoption of deregulated fees, and is one of six provinces who have not begun to increase institutional base grants in 1998.

Ontario's preference for a student loan repayment system based on the graduate's income has proven an idea not shared with other provinces. Coming at a time when most governments (even the federal government, as was discussed earlier) have been concerned with rising student debt, ICRPs, believed by critics to only lengthen the period of debt repayment, rather than limiting its overall size, have slipped from favour. Spurred on by their abject belief in the virtues of the proposal, or perhaps by the need to fulfill this campaign promise, the Harris government has failed to renounce its plan even in the face of opposition from virtually all quarters, including other provinces. A fall 1997 meeting of pan-Canadian student aid stakeholders reported an emerging consensus, but not on Ontario's ICR model. As an official for the Canada Student Loans program was reported as saying:

There was an overwhelming support for up-front grants for incoming students and back-end loan remission for graduates. As well, there was a general disdain for the student aid reform package touted by Ontario – an income-contingent loan repayment plan.⁴³

The other explanation for its instance on ICRPs is that the idea's critics have long identified it as being associated with large tuition increases, an idea which is simply not on in most provinces.⁴⁴ As the trade paper of the Association of Universities and Colleges of Canada reported recently, "At a time when most provinces are exercising control or using

⁴³ Schmidt, "Student aid reforms on their way."

⁴⁴ See chapter by Caryn Duncan in Edwin G. West, ed. *Ending the Squeeze on Universities*. Montreal: IRPP, 1993 and Canadian Federation of Students. *Compromising Access: A Critical Analysis of Income-Contingent Loan Repayment Schemes*. 2nd ed. Ottawa: CFS, 1997.

strong moral suasion to keep tuition fee increases to a minimum, Ontario has done the opposite.”⁴⁵ The contrast between Ontario and the other jurisdictions is most stark on the area of tuition fees and has even prompted the government of British Columbia to openly criticise the Harris government’s policies. Acknowledging that the difference in tuition fees for some programs may be as much as \$5,000 between Ontario and B.C., and fearful that this may result in massive student migrations, the B.C. Minister has threatened the introduction of differential fees for out-of province students as the only way to protect their three year freeze on tuition levels. Sadly in such a scenario, holding the line to protect B.C. students against downward harmonization caused by Ontario’s divestment from PSE has the effect of countering one me-first policy with another and comes at a cost to the integrated student mobility which has been an important part of the system.

The long-term strategy of replacing public money with higher student fees and increased reliance on private and charity sources maybe something unique to Ontario as well. In 1998 the provinces of Alberta, Saskatchewan, Manitoba and Nova Scotia are beginning to reinvest in operating grants for higher education. While Ontario may be holding the line over the past few budgets it continues to deregulate tuition and push institutions into reliance on corporate investments; there seems to be no motions signalling any large scale reinvestment in PSE institutions from this government. Again this spells trouble for other provinces, whose universities may begin to envy the money game being enjoyed by some larger Ontario universities (ignoring the detriment performed to others). As some have described: “Should the floodgates break in Ontario, almost everyone agrees the pressure would build for other provinces to give universities far greater freedom in how they operate and what they charge.”⁴⁶ Should such a scenario take place in other provinces, the likely result would not be akin to a rising tide raising all ships, but the establishment of a two-tier

⁴⁵ Peggy Berkowitz, “Ontario sets new course on tuition, student aid,” *University Affairs* June/July 1998: 20.

⁴⁶ Dwyer, “Academia Inc.” 71.

system lacking a system-wide perspective in each province, let alone through out the entire country. Quite simply, some institutions will be relied upon heavily to do most things very well at a high cost, while others will be satisfied with a steady trickle of public funds to perform limited teaching in a limited range of programs. Notions of accessibility will be pared down for most and quality may exist only for a few institutions. This kind of harmonization is simply not consistent with Canada's commitment to horizontal equity.

D. Conclusion

The problem with Ontario's new approach to higher education is two-fold. The first, and most closely related to this paper, is that the Harris government is knowingly, and without much reservation enacting reforms that while having been considered in some jurisdictions, have yet to be widely accepted in Canada. Inspired by the cut backs it has chosen to foist on institutions in response (rhetorically or factually) to the CHST, and the resultant demands of administrators for greater individual leeway for revenue generation, the Tories have gladly acceded control over tuition fees, and pushed universities, particularly their research apparatus, into the hands of large corporate donors. No other province, excluding those who had frozen fees, has been witness to tuition increases on the scale which have been scheduled to occur in the next two years in the province, and none have instilled a market model of inter-institutional competition for students and private revenues which over the short run will expose the inherent differences in institutions, but in the long term will necessitate closures, amalgamations or ultimately privatisation. This latter prospect, though scoffed at by some observers, is not an impossibility. In November 1997, it seemed that one university was relishing the prospect to be the first publicly funded university sold into the private sector in Canada. Toronto's Ryerson University took out ads in *The Globe and Mail* that month in which it blamed its inability to attract private funding on its status as a university focussed on undergraduate teaching rather than a "high-profile research intensive institution."⁴⁷

⁴⁷ "Why can't we solve Ontario's high-tech labour shortage?" Advertisement. *The Globe and Mail*. 18 November 1997.

The Ontario reforms, by encouraging a governmental retreat from PSE, are more than just a slight to the principles of public funding, public administration, and affordability for students which have long guided the system in Ontario, but also constitutes a full frontal attack on the pan-Canadian system of PSE. "We are in the midst of a major new experiment," reported Dr. Glen Jones of the Ontario Institute for Studies in Education. An experiment it may be, but it is one whose limits are not set at the province's boundaries. Which brings us to the second problem inherent in Ontario's reforms, being the potential for spill-over of these policies into other jurisdictions. By taking the course it has with higher education, Ontario, constituting the largest PSE sector in the country, has irresponsibly put pressures on other provinces to follow its course and emulate its reforms, not so much on the merit of its policies, but on the cost-savings which they have brought. Should they chose to do so, the spill-over effects will most certainly spread the anti-public virus throughout the system, undermining almost a century of public higher education in the country. The immediate recourse for those who try to resist will only be to erect barriers or disincentives to out-of-province students seeking equal quality programs at lower fees. Either way, the notion of the system of public PSE, relatively harmonized and predictable in all provinces will succumb to the vastly dissimilar levels of public importance which governments choose to ascribe to colleges and universities.

III. CASE STUDY 2: QUÉBEC: Politicization in Austerity

Although these case studies were chosen on the basis of their reactions to the CHST, and their corresponding changes in PSE policy, and as such are meant to be descriptive rather than comparative, there are some similarities between Ontario and Québec which deserve attention.

The two provinces have respectively the largest and second largest PSE sectors in the country in terms of institutions and total enrollment (excluding Québec's CEGEP system), even though Québec spends more on PSE than Ontario. In both, new governments were elected precisely at the time that the exact dimensions of the CHST's first year were developing. Under these governments, both began the serious business of reducing public spending to tackle their respective annual deficits, Québec's having reached a height of \$6 billion, compared to Ontario's \$8.8 billion. Both were hit hard by the CHST, with Québec coming just behind Ontario in terms of its total reduction (though the former would lose more in tax points than in cash). Both adopted a public stance highly critical of Ottawa for causing provincial cuts to PSE and other programs – albeit a less radical departure for Québec.

Both also seized upon the CHST as an opportunity to make largely precipitous changes to their PSE sectors, based largely on the government's ideological disposition. It is said that no public decision in Québec, however trivial, is made without it first being viewed through the lens of language and the kaleidoscope of Quebec nationalism. This has perhaps never been so well demonstrated than through the Parti Québécois' (PQ) recent handling of the PSE file.

More than any other, the government of Québec could appreciate the agenda of decentralization promised by the CHST (just as the Chrétien cabinet suspected it would) and has since used this to differentiate and even separate its higher education sector from those in the other provinces, as well as blocking the intrusions of the federal government. So while other governments may have greeted the CHST as the evil purveyor of budget cuts and Ottawa's abandonment of fiscal egalitarianism, Québec would make the same arguments but

as evidence of the limitations of federalism and the inability and unwillingness of Ottawa to constructively help the province pursue its own policy goals. Consistent with this, the PQ government would struggle to manage the CHST cuts so as to protect its social-democratic base of support in the province, but at an admitted cost to interprovincial considerations and linkages.

A. Fiscal Impact of the CHST in Québec

In terms of the total entitlement, Québec lost just under one billion dollars, or ten percent of its EPF and CAP transfers in the first year of the CHST (the same percentage as Ontario). Interesting is the dynamic of the share of cash and tax contained in the cuts. Since Québec is a “have-not” province, in the jargon of equalization, it experienced the lion’s-share of its reduction through its tax-point transfers. As Table 5.3 indicates, Québec lost nearly 40 percent of the tax points it received in 1995-96, while actually receiving about a quarter more cash than it had in that year.

Table 5.3 QUÉBEC TRANSITION TO THE CHST (1995-96 - 1997-98)⁴⁸					
	1995-96 (EPF and CAP)	% change	1996-97 (CHST)	% change	1997-98 (CHST)
Tax (Equalized)	\$4,528,892,000	-38.4	\$2,789,912,000	6.4	\$2,969,000,000
Cash	\$3,661,148,000	24.7	\$4,568,249,000	-15.3	\$3,866,000,000
TOTAL	\$8,190,040,000	-10	\$7,358,161,000	-7.1	\$6,835,000,000

So while the retrenchments in the total CHST are considerable, by designing the first year transfers in the way they did, federal Finance officials have attempted to use Québec’s budgetary logic against them. In order to make the point that Ottawa has decreased transfers, it has been necessary for the PQ government to admit to the federal origin of the tax-point transfers, which of course have long been considered the property of the province.

⁴⁸ Source: Canada, Treasury Board, *Public Accounts of Canada, 1995-96; 1996-97* and Canada, Finance Canada, “Major Transfers to the Provinces and Territories (1996-97 to 1998-99)”

Though the province has generally been critical of fiscal federal arrangements in the past, its preference has always been for the transfer of tax points over cash because of their less intrusive and "string-less" appearance. Again the peculiar make-up of the CHST challenges this principle. By giving greater cash to Québec, the federal government was clearly trying to counteract any fall-out from the CHST which could have been used in the fall 1995 sovereignty referendum. In spite of whatever interpretation could be provided by a treasury planner, there is more than simple arithmetic behind the fact that in 1996-97, Québec emerged on the good side of the CHST's disparities.

Indeed, an irony lays in the fact that as a "have-not" province, Québec has found itself in subsequent years an ardent defender of the CHST system remaining as it is. Displeased that the "have-not" provinces receive a greater share of the transfers than they do, the three "have" provinces are now arguing in favour of a strict per capita transfer. On the other side is Québec, with an argument based on provincial need, not on population size. Curiously adopting the classic perspective that the transfers are an egalitarian mechanism to support horizontal and vertical equity in the federation, PQ Finance Minister Bernard Landry has declared that "Nothing would be acceptable for Québec in terms of per-capita redistribution which is no longer any sort of redistribution (of wealth)."⁴⁹ Statements like this place the PQ government in a paradoxical position in relation to their PSE reforms. For on one hand they choose to see the CHST (however weakened) as a right under the terms of the social union, but to great controversy fail to accept the obligations of the same union by imposing differential treatment on out-of-province students.

B. PSE and the Philosophy of the Parti Québécois Government

To understand the purpose of the changes made to Québec PSE, as well as appreciate why the CHST and deficit inspired cuts took the shape they have, it is important to understand the role Québec nationalism plays in policy formulation and specifically higher

⁴⁹ Bernard Landry as quoted in Paul Wells, "Landry right to favour federal plan," *Montreal Gazette* 17 June 1998.

education. At first thought, it may seem irrational, or even a bit conspiratorial to accuse the Parti Québécois government of Premier Lucien Bouchard (Jacques Parizeau until 1996) of manipulating all governance and policy decisions to serve an overriding agenda solely motivated by the goal of separation from the rest of Canada. While such an analysis may not hold true in all cases, it is evident that the government does dedicate considerable resources to this project, and as such cannot be considered anywhere near as pragmatic a political player as the Chrétien government has proven itself to be since 1993. Quite simply, a PQ government can not play as fast and loose with nationalism in Québec and the objective of sovereignty as the federal Liberals have with their supposed centrist leanings. The political options of the PQ, so constrained by the practical aspects of the push for sovereignty, and the routine demands of nationalism that exist nowhere else in the country, are therefore quite limited.

Since the early days of the province and especially since the cultural and national awakening of the Quiet Revolution, education has been a critical component of a purposeful effort to protect and promote the culture and identity of the province. Just as the classical colleges perpetuated the clerical and social elites of early Québec, the contemporary universities and colleges are seen as instruments to produce the political, social and commercial elites of the modern Québec. A critical instrument of nationalism, it has been especially important for the sovereigntist movement as well. Well before Parizeau and Bouchard, the first leader of the Parti Québécois, René Lévesque came to appreciate not only the gravity of having a well educated society, but also the political value of having young Francophone students as a coalition partner (along with labour and intellectuals) in the sovereigntist bloc:

[He] placed a high priority on reforming and improving the postsecondary education system, and his party has been rewarded ever since with fervent support from both Québécois student alliances and regular students alike.⁵⁰

⁵⁰ M-J Milloy and Anup Grewal, "PQ may increase tuition, slash spending," *The Carillon* (University of Regina) 12 September 1996.

A centrepiece of the coalition forged in the late 1960s was the fateful promise to freeze university tuition fees and keep CEGEPs tuition free.⁵¹ As a result, the tuition issue has become a highly politicised one in the memberships of both the PQ and Liberal parties. In order to court the vital and volatile youth vote in the province, successive governments of all stripes have struggled to balance the competing interests of students against that of provincial treasury and university administrators.

The long term effects of this arrangement have been that tuition fees in Québec are now the lowest in all of Canada, and that its universities have had little protection from cuts in federal transfers, apart from the province's willingness to cut from other areas first. Weathering expanding enrollments and the recessions of the 1980s and 1990s with limited tuition revenue and fluctuating public revenues has resulted in labour problems as well as a greater emphasis on private contributions at institutions that can muster this kind of support. Meeting the expectations of students for low tuition fees has clearly come at a financial cost to universities.

C. Québec's Reaction: Politization and Insolation of PSE

During the 1995 sovereignty referendum campaign, the "Oui" side played heavily on its commitment to social democratic principles, promising that health, education and an array of social programs would be better protected in an independent Québec than they could be in the whole of Canada. Their argument was made more compelling in the climate of cut-backs of the mid-1990s than it may have been in the past. As Stephen McBride and John Shields argue:

The federal government's priority to reduce the deficit meant that it was less able than in 1980 to play the role of defender of social programs. Given its fiscal priorities, any attempt to do so would be implausible. Under [the CHST] Ottawa would play a decreasing role in social provision. . . Remaining in Canada no longer meant attachment to the social democratic principles espoused in the sovereignty

⁵¹ *Ibid.*

declaration.⁵²

Even though the campaign for independence proved ultimately unsuccessful (albeit narrowly), the dialogue so vociferously put forth by both sides did succeed in making the point that the social union which binds Canadians has been perforated and largely disabled by actions like CHST and its agenda of deficit downloading and decentralization. Simply, it is not possible for the federal government to speak convincingly of the benefits of unity while taking away resources and allowing the provinces to manage as they will, in restraint.

Similarly, from the perspective of the “downloaded,” the party to whom the hot-potato has been passed, it is less presumable that the province will be able to see very far from its own budget and therefore its own boundaries. This has surely been the case with higher education in Québec. The strategy has involved contrasting objectives: firstly, to limit the overall costs to the government of social programs in order to absorb the cuts of the CHST and aid in deficit cutting; secondly, to maintain the social-democratic face of the PQ as a protector of social programs; and lastly to do so without compromising the unique nationalist demands of the province.

i) Retrenchments

Québec has long held PSE as a high priority for public investment. Today, (even following successive retrenchments) it spends the highest total amount of any province and has the highest total enrollment – a considerable accomplishment when one figures that they began the second half of this century as the lowest in both categories.⁵³ The necessity for such a high level of investment, consistently higher than Ontario, it should be added, is due to other purposeful public policy decisions – not the least of these being the 1968 tuition freeze, which, though modified slightly to yield substantial increases in 1990-91 and 1991-92,

⁵² Stephen McBride and John Shields, *Dismantling a Nation: The Transition to Corporate Rule in Canada*. 2nd ed. (Halifax: Fernwood Publishing, 1997) 133.

⁵³ Janet G. Donald, “Higher Education in Québec: 1945 - 1995,” *Higher Education in Canada: Different Systems, Different Approaches*, ed. Glen A. Jones (New York: Garland Publishing, 1997) 186.

has kept the government's share of the formula grants higher than in other provinces.⁵⁴

The amount of total revenue each institution attributes to tuition fees ranges from 24 to 35 percent in the rest of Canada; in Québec it is roughly 15 percent. There is therefore a greater reliance on other sources of funding, which includes the federal transfers. The effect of the decreased tax revenue in the first year of the CHST was more than immediate. Beginning in 1995-96, the government of Québec embarked on a five-year program to reduce the operating budget of every university in the system by 25 percent. The effect of this has been drastic and very much attributed to Ottawa's actions, as Alexis Deschênes, Vice President of the Fédération étudiante collégiale du Québec described to the Senate committee in the spring of 1997:

[Transfers] went from about 28.9 percent of Québec's budget revenues [in 1990] to approximately 17.6 percent this year. In the last Québec budget, reductions to the federal transfer payments represented 60 percent of budget reductions for 1997-98. . . federal cuts to the funding of social programs will translate into a shortfall of \$1.4 billion for Québec. At the college and university level this means a net decrease of \$280 million for the same year.⁵⁵

**Table 5.4 QUÉBEC GRANTS FOR UNIVERSITY AND COLLEGE
OPERATING COSTS⁵⁶**

	1995-96	% change	1996-97	% change	1997-98
Institutional and related support	\$3,427,937,000	-11	\$3,018,968,200	-6.2	\$2,829,303,300

⁵⁴ Cameron, *More than an Academic Question*. . . 394.

⁵⁵ Alexis Deschênes, Vice President of the Fédération étudiante collégiale du Québec in Senate, Issue 12 - Evidence (10 April 1997).

⁵⁶ Sources: Canada, Human Resources Development, *Federal and Provincial Support to Postsecondary Education in Canada: A Report to Parliament 1995-96* (Ottawa: Minister of Public Works and Government Services Canada, 1997) 8; and Québec, Conseil du trésor, *1997-1998 Expenditure Budget, Vol III: Department Management Plans* (Québec: Ministry of Finance, 1997); and Québec, Conseil du trésor, *1998-1999 Expenditure Budget, Vol III: Department Management Plans* (Québec: Ministry of Finance, 1998).

In terms of how the cut-backs have been managed, the case of Québec does not differ greatly from that of other provinces. They have largely been left to the individual institutions to deal with them, mostly passing the ramifications along to individual departments and programs. Phenomena such as elimination of program duplication, reduced support staff, rationalization of institutions, increased emphasis on cross-sectoral portability and larger class sizes are not unheard of in Québec. Indicating the slower progression of the cuts in Québec than elsewhere, a November 1997 article in the *Montreal Gazette* echoes many of the frustrations felt in Ontario universities about a year prior:

It seems as if the continued enthusiasm and energy of her students are what keep Université de Montreal anthropology professor Louise Paradis going these days. Already, she's told the university she doesn't want another four year term as department chairman [sic]. . . She believes budget cuts have affected the quality of education at her school. Classes are bigger, professors have a larger administrative load, there is less support staff. "It affects the quality of teaching, there's no doubt," Paradis said. . . "the only thing we talk about are the cuts, the budgets. Nothing to do with the future of the university, with the future of the department, just cutbacks."⁵⁷

In this way the cutbacks do not suggest much in the way of disharmonization. A recent report by the ministère de l'Éducation to be discussed in the fall suggests no immediate changes to the way Québec universities are funded.⁵⁸ Expecting that a growth swing will take place in funding for institutions in future years, the CHST may have had nothing but a passing influence on public budgeting for Québec universities and colleges.

ii) Policy Innovations

Having chosen to impart no discernable character in the size or the "attitude" of the cutbacks, the PQ government has instead imparted characteristic innovations for higher education through select policy changes and announcements it has made since the reductions in federal transfers. The most notable of these have been the Bouchard government's

⁵⁷ Doug Sweet, "Cutbacks change the way universities work," *Montreal Gazette* 22 November 1997.

⁵⁸ "Future of Québec universities," *University Affairs* May 1998: 19.

introduction of differential tuition fees and the rejection of the grants under the Canada Foundation for Innovation. From a system-wide, or pan-Canadian perspective, these approaches are of concern because they indicate that the province is attempting to isolate itself from other jurisdictions, by erecting financial barriers to students, and constitutional barriers to cooperation with Ottawa. By doing so, Québec has taken what is perhaps the evolutionary next step coming from Maurice Duplessis' rejection of the 50:50 transfers, but it has also taken a step backwards in terms of transforming itself into what may become the first of ten watertight compartments for higher education.

a) *Differential tuition fees*

As with other provinces, Québec has adopted the cautious approach of commissioning a report on the status and future prospects for PSE in the province. The Estates General on Education was sanctioned by the PQ following the election and reported generally on the organization of sector suggesting greater cooperation between institutions and reduction of perceived inefficiencies in the way university lecturers and professors are utilized. On the pure policy side, the report generally endorsed the continuation of a strong role for government in the provision and the navigation of PSE. It also cautiously endorsed greater private sector subsidy of some research by saying "we do not believe that 100 percent public funding is the only way to guarantee the autonomy and independence of university research."⁵⁹ Generally mistrusted by the universities, the Estates General earned criticism for, among other things, recommending the maintenance of the tuition freeze. As McGill principal Shapiro lamented, "I think we are at the last resort. All the (tuition freeze) means is fewer classes, fewer professors, fewer books, fewer everything. This is how we snatch defeat from the jaws of victory."⁶⁰

Unquestionably aware of the fire-storm of controversy they were about to open, but

⁵⁹ Québec, The Estates General on Education, *Final Report of the Estates General on Education, 1995-96: Renewing Our Education System: Ten Priority Actions*. September 1996.

⁶⁰ Shapiro as quoted in Eric Smith, "Estates General report earns cool response," *The McGill Reporter*. 24 October 1996.

needing to respond to voices like Shapiro, the PQ government began to muse out loud in the fall of 1996 about the possibility of a 10 percent tuition increase in 1997-98 followed by a 30 percent increase over the next three years. The response was predictably raucous as Québec students began protests and civil actions on campuses, even threatening a PQ weekend convention. What resulted was not a total rebuke of tuition increases, as assembled students had expected, but the announcement by Education Minister Pauline Marois of a controversial compromise whereby the PQ would agree to carry the freeze until the next election, but would be introducing differential fees for out-of-province students studying in Québec. Strategically, the move verged on genius.

The blast has ripped through the shaky house of cards that is the Québec student alliances. In one stunning move, Marois has managed to defuse student strikes that had spread to over fifteen Québec colleges and three french universities, without giving an inch over tuition levels or funding for education.⁶¹

The exact dimensions of the fees are in themselves based on reasonable assumptions and a logic that is not totally dysfunctional, once you get past the fact that they are the first instance of a government introducing a fee structure based on a student's province of origin. The increase is calculated to bring Québec's fees to the national average for out of province students, resulting in an increase of \$1200 per year for the first year. The move, as an education ministry official described to the media "is no more discriminatory than it is for Québecers to pay \$1400 more to attend university elsewhere in Canada, even though the tuition fee charged to those Québecers is no more than fees charged to students of that other province."⁶² The Ministry also argued that since Québec has made the decision to heavily subsidize education, it is merely recouping costs by asking those from outside the province to pay extra. Indeed, the government and not the universities would actually be the recipient of the differential fee.

⁶¹ M-J Milloy, "Québec introduces differential tuition fees," *The Peak* (Simon Fraser University) 25 November 1996.

⁶² Rod Macdonnell, "McGill students sue Québec over tuition hike," *Montreal Gazette* 3 June 1997. A7.

The problem with the differential fee is that it seeks to deny the viability, and perhaps even the existence of the social union and with it a PSE system beyond each individual province. In itself its logic seems sound, but it is a logic in large part created and encouraged by the sort of dysfunctional system of fiscal federalism embodied by the CHST. Marois' assertion that out of province students do not contribute as much to the financing of universities as residents of Québec do through their tax dollars betrays a failure to acknowledge the role which the transfer payments play in supporting PSE in Québec, and in the other provinces. Such a move further threatens student mobility, which has been in terms of the portability of accreditation not a strength of the pan-Canadian system, and one of the key working points of the Council of Ministers of Education, Canada (CMEC).

While it should be noted that the federal government has made no intrusion into the debate over Québec's tuition fees, nor have they threatened to take punitive actions through the CHST, the response is occurring on the horizontal level, and from other have-not provinces who are members of the Maritime Provinces Higher Education Commission (MPHEC). Demonstrating how it offends the fragile, unwritten rules of the system, the interim chair of the Commission has declared that "this starts us down a slippery slope. . . After all these years we've broken a firm 'gentleman's agreement' to avoid restrictions or out of province fees. Now that understanding is gone."⁶³

b) *Out of province student aid restrictions*

Closely related to this, and not far removed from its criticisms has been the similar introduction of place-of-study restrictions into Québec's student aid program. While it is noted that specific similar actions have been taken previously by Newfoundland, Manitoba, Alberta, Saskatchewan and New Brunswick, they have not drawn as much attention since they are not considered as far ranging and are not highlighted by a nationalist agenda, as is the case in Québec. Introduced with little fanfare in the spring of 1995, the PQ government

⁶³ David M. Cameron, interim chair, MPHEC as quoted in Jennifer Lewington, "Group to urge freer access for students," *The Globe and Mail* 19 February 1997. A6.

began the process of tightening its eligibility requirements for Québec student assistance. The proposed new policy scheduled to go into effect for 1997 meant that students studying in English out of the province will be eligible for loans only if no similar program is offered at a university in Québec, and if, enigmatically, the program fills “an imperative need of the Québécois collectivity.”⁶⁴ Though exceptions were made for institutions bordering Québec, including Nova Scotia and eastern Ontario, or at institutions “contributing to the maintenance or growth of la francophonie (such as the Collège Boréal in Ontario),”⁶⁵ this resulted in critics calling the plan an attack on the portability of education, and mobility of students.

Responding to critics in a 1996 communique, Marois explained the decision as being purely financial: “the ministère de Éducation must resign itself, as most provinces and countries have or will, to reducing the benefits granted under this program or dropping some of its more accessory features.”⁶⁶ Under closer scrutiny the controversial definition of the “imperative need” of Québec society, seems little more than a “Henry VIII clause” empowering the Minister, not public servants, it is added, to “exclude programs that do not meet a collective need. This does not mean that the training provided through these programs is irrelevant, but rather that it is deemed unnecessary to invest public funds in this type of training.”⁶⁷ One can only begin to imagine the wide fluctuations such a broad guiding principle might undergo from government to government, or minister to minister, for that matter. Along with mobility, the principle of predictability falls into question by allowing the cabinet to decree on the “imperative needs” of the province.

Another problem results from the out-of-province limitations on Quebec Student Loans. Because of the province’s having exercised its right to opt out of the Canada Student

⁶⁴ Sandy Atwal, “Québec students studying in English to be denied loans,” *Imprint* (University of Waterloo), 31 May 1995.

⁶⁵ Pauline Marois, Minister of Education, *Financial Assistance for students studying outside Québec*. Internet. Available: www.meq.gouv.qc.ca/cpress/cpress96/aidfin-a.htm.

⁶⁶ Marois.

⁶⁷ Marois.

Loans Program with compensation, a student who is now denied loans to pursue studies outside of Québec will be ineligible for any government financial assistance of any kind. The financial barriers for these students are quite real.

Critics have not been shy to point out that the students being most ill-effected by the differential fees decision and the stricter eligibility requirements for Québec student assistance are the non-Francophone population. The three institutions to be hurt the most are the predominantly English, McGill, where 24 percent of students are from outside the province, Concordia and Bishop's universities. And while some officials have officially registered their dissatisfaction with the "discriminatory" practice with the Minister, and attempted to refute the fiscal arguments by pointing to the federal transfers, it is clear that the PQ government is pursuing a course of its own. The criticisms coming from the institutions is somewhat less than full-bodied as well, since they likely see benefits coming to them through both measures. The differential fees will bring greater revenues to the provinces, supposedly to be filtered back into institutional grants, and the limits on out-of-province assistance promises to keep more Québec students at studying at home.

Subtracting from the accomplishments of the government however, some, like Erin Runions, then-chair of the Québec component of the Canadian Federation of Students have argued that establishing barriers to students wishing to study in the province, as well as disallowing students to study outside, will in fact prove a detriment to the future viability of nationalism in Québec:

[It] may isolate Québec in a way that will hurt a province trying to establish national identity. As many political theorists argue today, identity is formed through dialectic interaction: without being in constant conversation, identities atrophy. Québec culture and identity can not and will not flourish if the Québec government continues to cut contact with intellectual conversation partners.⁶⁸

⁶⁸ Erin Runions, Chair, Canadian Federation of Students (Québec), electronic mail posted to the National Graduate Council list-server, 17 January 1997.

c) *Rejection of federal research grants*

For many in the cash-strapped laboratories and classrooms and administrative offices of Québec universities, history repeated itself in December 1997, as pejorative politics clashed with their need for public financing. The announcement by Education Minister Marois that Québec universities would not be allowed to apply for funding from the Chrétien government's \$800 million dollar Canada Foundation for Innovation (CFI) conjured up visions of Duplessis's rejection of federal grants to the universities in 1952. And as in that case, the PQ government's demand is nothing short of the same solution proposed forty-five years ago: that Ottawa turn over 28 percent of the CFI funds directly to the province, rather than to the universities themselves.⁶⁹

The precise challenge put to the universities by the ministère de l'Éducation was that if any were to apply for and receive funding from the CFI, their annual operating grants would be reduced the equivalent amount for the following academic year.

The Bouchard government went after the CFI on two fronts: that it is an typical vertical intrusion into provincial jurisdiction, and that it is being funded by cuts in federal transfer payments which should be going to the provinces at any rate. On the first point, it is not altogether clear that the CFI does represent the same sort of top-down imposition of the federal will on the provinces. Not that the point makes it any less intrusive in and of itself, the CFI, as it is established is not directed by government, but is an independent corporation responsible for managing and disseminating the fund based on applications by institutions, a desperate point made quite often by federal Industry Minister John Manley. And though the PQ government may characterize the CFI as a new beachhead for federal intrusion into higher education, it is not altogether different from the previous granting councils that the province has participated with in the past, such as the Social Sciences and Humanities Research Council, and the Medical Research Council. As a joint communique of university, faculty,

⁶⁹ Elizabeth Thompson, "Don't take federal funds, Québec warns universities," *Montreal Gazette* 9 December 1997.

research and student groups said:

The Canada Foundation for Innovation has adopted a model for distributing research funding that has long been applied by the federal research granting councils and that has never posed a problem for the government of Québec. The province's universities have been very successful in this system.⁷⁰

On issue of the decreased transfers contributing to the CFI in the first place, the PQ's arguments betrayed much of the resentment felt over the CHST and the warranted perception that the federal deficit had been balanced at the expense of the provinces and their programs.

As Marois decried:

"I find the federal government's attitude profoundly odious, to want to play Robin Hood after having been the cynical Sheriff of Nottingham for numerous years, filling the federal coffers with money from the taxes of Québec."⁷¹

Even the media have acknowledged that the problems Marois identified with the federal spending power are "more than another attempt by the separatists to pick a fight."⁷² The dilemma provoked by the CFI is in many ways symbolic. It is not that the province is rejecting the funding, or excluding the possibility of cost sharing with Ottawa – for this would be clearly contrary to its obligations to advance PSE, but is instead opposing the emerging penchant of this federal government in the post-deficit to create new programs while the CHST cupboard remains bare.

Although the Québec government would eventually back down on their boast to penalize the universities who accepted the CFI grants, Ottawa would again hear many of the same arguments and demands less than two months later when Finance Minister Paul Martin moved to create the Liberal government's centrepiece for the millennium, a \$2.5 billion scholarship program, while at the same time deliberately ignoring the opportunity to augment

⁷⁰ Association of Universities and Colleges of Canada, et al., "Canada Foundation for Innovation: compatible priorities," news release, (15 December 1997).

⁷¹ Association of Universities and Colleges of Canada, et al.

⁷² Don Macpherson, "Québec right to feel leery over research fund," *Montreal Gazette* 17 December 1997.

the transfer system.

D. Conclusion

The reason why Québec's reforms have taken the particular shape they have is peculiar to that province. It is not altogether likely that Newfoundland or Saskatchewan would tomorrow move towards limiting the out-flow and in-flow of students citing an linguistic-based or cultural "imperative need," or by arguing that such a measure would contribute to the "maintenance or growth" of the identity of their respective province. In the case of Québec, they are put forth as a necessary response to protect these things about the province in a time when public spending is not available to protect them.

However, now that they have been introduced into the panoply of instruments available to governments, differential fees and restrictions on out-of-province student assistance have been partly legitimised by Québec. So while other provinces will likely not argue for these measures from a culture standpoint, they may quite conceivably cite budgetary considerations for tightening access to the benefits of their PSE systems. Allowing Québec to take what are essentially punitive actions against other Canadians, as well as their own residents based on where they choose to study will be the undoing of the precarious integrated mobility of students from province to province. Such a gesture certainly offends the theme of mobility identified by all provinces in CMEC's 1993 Victoria Charter,⁷³ and according to the lawyer for a McGill student who has taken the PQ government to court on the differential fees decision, may also be illegal under the mobility rights guaranteed in the Canadian Charter of Rights and Freedoms.⁷⁴

In consideration of Québec's resistance to federal intrusion incorporated by the CFI and the Millennium Scholarship fund, these disagreements have attracted more horizontal support than the PQ may had expected. Best reflected in the case of the Millennium

⁷³ Council of Ministers of Education, Canada, *Future Directions for the Council of Ministers of Education, Canada* (Ottawa: CMEC, 1993).

⁷⁴ Mark Ratner, "Student's fight tuition hike," *Montreal Gazette* 21 October 1997: U1.

Scholarships, Québec is not alone in its opposition in principle to the unilateral intrusion, taking the perspective that its \$2.5 billion is in fact money owed to the provinces from CHST cuts. Its treasury reinvigorated, Ottawa's actions, which some may say are aimed squarely at rebuilding its visibility with Canadians, rebuffed the emerging provincial consensus that all future federal ventures into provincial jurisdiction should be approved by all (or a majority) of partners. The provincial response has been to only recommit itself to the consensus, and find some application for it in a new proposal for the social union.⁷⁵ In the meantime, Québec's opposition appears for most Canadians to be little other than the latest in a series of turf-battles which have polarized federalism, and pan-Canadian PSE since the retrenchments began.

⁷⁵ William Walker, "'Social union' proposal rejected," *The Toronto Star* 21 July 1998.

IV. Conclusions

The range of reaction to the CHST has been vast. Beyond Ontario and Québec, there have been as many responses to the new political realities as there are provinces and provincial governments. The CHST's intricate rebalancing of powers has allowed provincial governments to choose their own priorities, embark on their own innovations and generally put their own face on the social policies of their jurisdictions, albeit within a framework of budgetary restraint. For PSE, the exertion of provincial independence has meant that the fragile system is under siege. The "have" provinces, plus Québec, are taking a "me-first" perspective to fiscal federalism; some have introduced differential fees for out of province students, or are considering such action; some are maintaining public investment in institutions, while others have cut as much as 15 percent over the past two years; some are freezing tuition, while others have partially or fully deregulated fees, and some are adopting a more free market approach to education, while others continue to see education as a key public policy objective.

It is possible that these disruptions will be only temporary: the unfortunate by-product of satisficing in a period of budget cuts. However, it is also possible that their long term effects may prove more stubborn, as innovations become attractive to other provinces trying to keep their spending on PSE down by simply shifting responsibilities downward to institutions, contracting out, or pushing students towards other, less costly jurisdictions.

The Conservative Government of Premier Mike Harris has elevated the "me-first" argument, both on a micro and macro scale, to a virtual art form. Through an overwhelming flow of legislation and order-in-Council resolutions, it has brought about radical revisions and financial retrenchment to many of the province's social services, including higher education.

What is today being put forth by the government of Québec – rejection of federal research monies under the Canada Foundation for Innovation, and the imposition of differential fees for out-of-province students – represents more than just the natural continuation of Premier Maurice Duplessis' rejection of St. Laurent's grants. It is a

sophisticated reaction designed to expose the hopeless system of fiscal federalism embodied by the CHST, protect priority spending -- which by now includes PSE -- for Québecers, all the while endeavouring to promote further the parochial vision of Québec nationalism.

These case studies fulfill the descriptive role of recounting what has happened to the two largest PSE networks in this newest phase of fiscal federalism. They also illuminate concerns for the future viability of the pan-Canadian system of PSE, in the absence of dependable federal funding, credible federal leadership and seemingly without horizontal leadership on the part of the provinces. With Ontario and Québec approaching the sector from such radically divergent perspectives than the other provinces, on what but the most trifling of details can we expect consensus be reached?

CHAPTER SIX — Conclusions

I. Introduction

If one assumes that a key objective of federalism is to foster greater agreement between the ten provinces, two territories and the federal government – which is simply asking for more commonality of opinion and not complete unanimity in all things – the Canada Health and Social Transfer seems a counter-productive strategy. Rather than moderating disparity, ameliorating differences, sharing hardships and building consensus, the 1995 federal budget unilaterally shifted a large share of the federal deficit reduction efforts onto provincial governments, and from there onto universities and colleges, resulting in greater disparity and differences in provincial higher education policy, and a general cooling of relations between Ottawa and the provinces.

In repealing EPF and replacing it with the less conditional CHST; reducing the overall transfers to the provinces by over \$6-billion; and effectively propelling the nation further down the slippery slope of decentralization, Paul Martin's second budget is, within the rubric of federal/provincial relations quite possibly the most consequential non-constitutional policy decision to be made this century.¹ In the wake of the CHST, what we are beginning to witness is not a pattern of provincial governments and their institutions cooperating in an effective, but subdued system transcending budgets and borders, but rather an exhibition of ten largely separate provincial systems, many rebuilding on the fly, indifferent to, if not in blatant conflict with the others.

Although some provincial governments may feel better having increased latitude in social policy design and implementation, there can be little question that the fragile pan-Canadian system of PSE has been poorly served by this development. The opportunity for innovation has been seized by a few provinces, most notably in the cases of Ontario and Québec, while others have budged little, or are anticipating increased public investment in

¹ Kevin Dorse, "No Strings Attached: Implications of the Ontario Advisory Panel on Canadian postsecondary education," unpublished paper, Carleton University, 19 March 1997.

institutional funding and in up-front debt reduction for students (the NDP's call for a tuition freeze was a popular proposition in the recent Nova Scotia election).

Where innovations have taken place, they are towards the lowest common denominator: reduced public funding, increased costs to individual students, diluting universality of access and of program offerings, and the imposition of financial barriers to interprovincial student mobility. The Ontario and Québec experiments are being watched with great interest in government and opposition groups in all provinces. If political fall-out can be avoided, or successfully managed, and if the institutions and students are able to adapt to the new realities imposed upon them, it then becomes increasingly likely that other governments may choose to emulate the innovations to benefit from the inherent cost savings. Ironically, the result of this will be greater policy harmonization, but of the nethermost kind: the virtual jettison of public investment in PSE and the replacement of integration with provincial barriers.

II. Findings

Generally, this study has arrived at five findings:

1) The innovations in PSE being experienced in many provinces are directly related to the CHST and its associated agenda of increased provincial autonomy. It is difficult to make the decisive claim that in every case, the CHST was the direct cause of provincial budget cuts, since the CHST cuts coincided with intense deficit reduction strategies, and other measures, such as Ontario's 30 percent tax cut, which in turn contributed to the assault on PSE budgets. These efforts were considerable as well and formed a general climate of retrenchment which has resulted in considerable changes to longstanding perceptions of higher education and the public policies which support them.

However, had this paper instead been subtitled "The Federal/Provincial Dynamic in Postsecondary Education since Deficit Reduction," it would have missed its mark entirely. For while the CHST may have aggravated the existing problems caused by deficit reduction in many provinces, its effects were more than just fiscal. Provincial deficit reduction did not

result in the combining of fiscal transfers for health PSE and welfare into one block fund and granting the provinces a virtual *carte blanche* on how the money would be spent. Doing so was the CHST's most fateful contribution, one which is still being wrestled with in federal/provincial conferences: how can we have transfer systems but at the same time guarantee that the federal money will be used in the spirit and for the programs which it was intended?

2) The governments who have taken the most noticeable strategies in PSE – either to make radical amendments – as with Ontario and Québec, or to maintain a high level of public investment and protect mobility and the distributive objectives – as in the case of B.C. – have done so for largely political or ideological reasons. This conclusion is not a pejorative one, since it only means to argue that what has taken place in these provinces has been the product of one government's choice in a particular period, given a largely similar set of demands and inputs. This is to say that no one should be quick to assume that the course of fragmentation, disharmonization and free-market practices which have been introduced by some provinces is in anyway “the way of the future” for PSE, as some are already proclaiming. Just as it was possible for a government to bring these changes about, so it is equally possible – albeit expensive and perhaps controversial – for a future government to undo them, couched on little else than a contrary vision for PSE.

Sadly for the advocates of the system of PSE in Canada, the same may be said of those governments who have chosen to follow the path of continued public investment and universality. Without agreed upon standards for PSE, arrived at by a vertical or horizontal process and linked in some way to the transfers, like that being pushed for by B.C.'s Minister Petter, there would appear to be little stopping a continued process of fragmentation.

3) Harmonization (particularly upward harmonization) of PSE policy is less and less a feature of the post-CHST system.

4) Integration has been halted and disabled by the decision to erect financial barriers to out-of-province students in Québec, and the threat of such action by B.C. Proving Susan

D. Phillips' prediction that parochialism would result from the stress of the CHST², provincial "me-first" policies are preventing these governments from seeing beyond their own borders in many cases. As direct funding for institutions and colleges becomes more and more a burden carried by the provinces alone, without wealthy federal transfers, the more likely it is that punitive measures will be taken against other provinces, their institutions and citizens.

Integrative institutions such as CMEC are finding it difficult to pursue their own stated aims in this period as well – the Victoria Declaration, penned in 1993 has enjoyed few recent advances – particularly in its statement on student mobility. And though it may be called upon increasingly by critics and even the federal government to reduce policy differences and "set objectives for postsecondary education that are consistent across the country and comparable with those in other leading nations,"³ there will not be advances where the political will and the resources do not exist.

5) The unilateral conduct of the federal government in managing the transfers, particularly their penchant for revisionism evidenced through the 1980s, early 1990s, and with the puerile CHST has reduced fiscal predictability, producing trickle-down effects to all aspects of the system. Quite simply, without concerted and institutional federal/provincial cooperation in managing the transfers from year to year so that each government has reasonable expectations of what revenue they will receive in support of PSE (and the other programs) there can not be the stability necessary to produce the potentially costly harmonization and integrative measures among the provinces.

III. Consequences of the findings

The consequences of this study relate most closely to the prospects for non-constitutional change in Canada and for future developments in the fiscal arrangements, both of which appear at the heart of federalism's many woes.

² Phillips, "The Canada Health and Social Transfer. . ." 83.

³ Excerpt from Recommendation 25 of Senate, *A Senate Report on Postsecondary Education*. . .

1) Non-constitutional change: It has been noted frequently that higher education has evolved in Canada as the result of jurisdictional and revenue sharing. Over the past thirty years the pattern has become increasingly restrictive, caused primarily by a select group of provinces who have taken greater exception with what they argue is federal meddling in education. While they are not to be faulted for identifying their constitutional jurisdiction, and endeavouring to design and manage it alone without fear of Ottawa increasing costs, or altering their objectives, they must at the same time recognize the “broader than provincial significance” of PSE. At a time when education is of increased importance to the sustained employability of citizens and the vitality of a modern economy through research and advanced technology, it is paradoxical for PSE to become a more closed system rather than an open one.

Assuming that public investment in and administration of higher education is still a desirable goal for Canadians – it would be sad if it were not – this next stage of non-constitutional development must endeavour to establish that fact. While some continue to call for a national postsecondary education act laying out principles in the same vein as the *Canada Health Act*, it may be possible, and indeed preferable to approach this from a horizontal, rather than vertical perspective. Standardization and harmonization is no less desirable for PSE than it is for health. Endeavouring to have the provinces agree upon high denominator principles among themselves, in the same way they have agreed upon the Calgary Declaration, or agreed to approach Ottawa for increased transfers, would be a laudable goal for the millennium – more so than a meagre scholarship program that will help only seven percent of students.

2) Fiscal arrangements: As a companion to this process towards horizontal integration, is the need to correct the state of fiscal federal arrangements. Flawed in its construction, the CHST must be done away with. Grouping funds for health, PSE and welfare is without grounds as a way of funding these programs. It may be more desirable from an accountability perspective to adopt the model proposed by the National Council on

Welfare and move to “four ‘cash-only’ deals to allow the federal government to defray the cost of medicare, postsecondary education, welfare and social services.”⁴ Such a strategy may be of greater interest to Ottawa as well as it would guarantee its visibility in all four programs.

It is clear from this study that the reduction of transfers has done little to help the provinces to cooperate in policy matters, save joining in criticism, that is. What is needed is to remove the administration of fiscal arrangements from the strict purview of the Ministry of Finance to a more cooperative forum of all governments at which it may be possible to set a formula to meet the reasonable needs of the provinces, at the same time ensuring that policy goals are being met. Unilateralism, vetos and political grandstanding have marred fiscal federalism in recent years, and done a disservice to the federation and to the political leaders themselves. Agreeing to place these matters on the table at First Minister’s-type conferences may not discourage this trend outright, but it may remove the anxiety and unpredictability which presently precedes the allocation of transfers.

⁴ National Council on Welfare, *Another Look at Welfare Reform: A Report by the National Council on Welfare*. (Ottawa: Minister of Public Works and Government Services, Canada, 1997) 118.

Appendix A – Glossary of Key Terms

decentralization. A trend that emerges “when provincial governments obtain new constitutional responsibilities or increase the areas of federal intervention that are subject to provincial consultation.”¹

harmonization. The circumstance in which individual provincial governments, through a process of intergovernmental experimentation and learning arrive at a preferred program design. While the centralization-decentralization debate is useful to give a snap-shot of the division of powers at a particular period of time, “[h]armonization on the other hand, attempts to describe how these powers are used. Harmonization is more a movement than a fixed state of affairs, and therefore it describes a dynamic rather than a static property of a system of intergovernmental relations.”²

integration. Policy integration may be understood as the coordinated effort by governmental actors to eliminate policy variation or duplication and encourage cooperation through institutional mechanisms. Policy integration is usually the result of a conscious political desire by governments to rectify the adverse affects of policy discord between jurisdictions. Integration, both relies upon and is sustained by an institutional authority to act as a regulator, or inducements such as financial incentives to reward compliance, or punish dissent. Integration may be regional (i.e.: Maritime Provinces Higher Education Commission), pan-Canadian (i.e.: Council of Ministers of Education, Canada), or federal (e.g.: Department of the Secretary of State of Canada).

pan-Canadian system of postsecondary education. An underdeveloped theoretical framework in the literature of PSE in Canada, based on the observations of those like Allan Maslove who argue that “in the absence of federal standards, provinces have themselves created a ‘national’ system”³ of PSE. In this paper, the system is characterized by three factors: (1) harmonization of policy among provinces; (2) efforts at integration of PSE policy through its relevant ministries, agencies and institutions among provinces; and (3) predictability of resources in the system and of its expected outputs (i.e.: further harmonization and standards).

postsecondary education. Any series of programs (a) in which the normal entrance requirement is at least high school completion; (b) that are at least one year in duration; (c)

¹ François Rocher and Miriam Smith, eds. *New Trends in Canadian Federalism* (Peterborough: Broadview Press, 1995) 10.

² Claude E. Forget, “The Harmonization of Social Policy,” *Fiscal Federalism*, ed. Mark Krasnick (Toronto: University of Toronto Press, 1986) 97.

³ Allan M. Maslove, “The Canada Health and Social Transfer: Forcing Issues,” *How Ottawa Spends 1996-97: Life Under the Knife*, ed. Gene Swimmer (Ottawa: Carleton University Press, 1996) 288.

that lead to a certificate, diploma or degree. Though PSE is offered by private sources, the vast majority is public. Public PSE includes the provision that the programs are offered by institutions which rely, at least in part, on public funding for their operating budget.⁴

predictability. Participants and analysts should be able to anticipate specific inputs and outcomes from a system, resulting from the interconnectedness of institutions. Part of predictability refers to, and hinges upon, the predictability of financing, recognizing that governments and institutions will be unwilling to plan and coordinate with others in the absence of reliable budgets. Predictability also means a degree of interdependence among the sub-systems so that any major change to one, or more of these will produce ripple effects throughout the system as a whole.

⁴ This definition is adapted from Canada, Human Resources Development Canada, *Federal and Provincial Support to Post-Secondary Education in Canada: A Report to Parliament, 1995-96*. (Ottawa: Minister of Works and Government Services Canada, 1997) 1.

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