MAKING WORK: FEDERAL JOB CREATION POLICY IN THE 1970S

by

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Abstract

In the early seventies Canada was the first western industrialized country to increase spending on short-term job creation programs. In contrast to the policy legacy of short-term public works projects, programs such as Opportunities for Youth and the Local Initiatives Program stressed the participation of the unemployed on projects that would promote "meaningful work" and "community betterment". The direction of job creation policy changed dramatically in the mid-seventies. In the context of stagflation and rising unemployment, there was less funding for job creation and the emphasis of the program shifted to "real work" on infrastructure projects and private sector initiatives. There have been relatively few attempts to trace the factors that influenced this shift in policy. As an analytic project this study confronts the recent debate in the literature related to the relative merits of state-centred and society-centred explanations of social policy. The case study of job creation policy suggests the emphasis of this debate should shift to an examination of how the political tensions related to broad class and social forces are mediated within the state.
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Chapter One


Introduction

This dissertation project examines the factors that influenced the direction of federal job creation policy in Canada in the period from 1970 to 1979. During the seventies the simultaneous occurrence of high levels of unemployment and inflation and slow economic growth raised a number of questions about the appropriate mix of public and private responsibility for ensuring high levels of employment. For the most part, the policy literature dealing with Canadian employment policy in this period focuses on the role played by macroeconomic policy, income transfers (such as unemployment insurance and social assistance) and training. This study examines another aspect of policy dealing with the impact of unemployment- direct job creation or the provision of short-term employment for the unemployed.

As an analytic project, the dissertation confronts a recent debate in the policy literature over the relative merits of state-centred and society-centred explanations of social policy. The problem with this debate has been the polemic tone and the rigid distinction between the 'external' and 'internal' factors that impact on state action. The dissertation points to the need to return to Poulantzas' concept of the state as a 'contested terrain' that reflects the overall balance of class forces. This approach suggests that we need to understand how broad social and class forces are mediated within the institutional form of the state. This involves an analysis of the contradictions inherent in state action as well as an examination of the policy-making process itself.

This dissertation builds on an analysis of two types of sources. To develop both the policy legacy of job creation and the political context of policy-making the study relies on secondary literature that examines the development of the welfare state in the postwar period and federal policy-making in the 1970s. To examine the factors that influenced job creation policy the substantive section of the dissertation is based on an analysis of archival material accessed through the Freedom of Information Act at the National Archives in Ottawa. In
1985-86 and 1989-90 the Canada Employment Immigration Commission deposited two sets of internal documents related to the development of job creation programs in the period from 1970 to 1980. The study draws heavily on the central registry files for job creation programs sponsored by the Department of Manpower and Immigration (1966-76) and the Canada Employment and Immigration Commission (1977-1980). Similar documents were accessed dealing with the first years of OFY in the central registry files of the Department of Secretary of State. Another primary source that proved helpful for developing the broader economic and political context and its impact on these programs was an extensive news clipping file for OFY, LIP and the 1976 Employment Strategy that was included in the archival records. Selective interviews were also conducted with a number of key policy actors at both the senior policy and implementation levels in the department.

**Job Creation Policy and Unemployment**

In its broadest sense the term job creation refers to any attempt by the private or public sector to increase employment at the local, regional or national level. As a component of labour market policy, job creation refers to programs sponsored by the federal, provincial or municipal governments to provide short-term employment at the local level. Direct job creation programs can be distinguished from the expansion of full-time employment in the public sector and more traditional tools for influencing the demand for labour such as fiscal and monetary policy, tariff policy and regional development incentives. These programs can also be distinguished from more indirect programs such as tax incentives and wage subsidies which can also be used to encourage private or public sector unemployment. As a component of what is traditionally defined as manpower policy, job creation is also considered to be a separate area of policy from work opportunity programs designed to move social assistance recipients from ‘welfare’ to ‘work.’

In this context job creation policy is generally considered to be a residual form of social policy. The emphasis is on state intervention ‘as a last resort.’ Job creation programs provide temporary jobs with low wages to avoid competition with the regular labour market. Paradoxically countries who rely heavily on job creation programs as a labour market strategy, tend to be countries that experience relatively high levels of unemployment. It
follows that while short-term job creation policy is generally considered to be a relative 'sidelight' vis-a-vis labour market and broader economic policy, the development of policy in this area can still provide us with considerable insight into the overall composition of the Canadian welfare state.

During the unemployment crisis of the 1970s Canada was the first western industrialized country to increase federal spending on direct job creation programs. The early expansion of job creation programs in Canada reflected, in part, the fact that unemployment rose earlier in North America than in other industrialized countries (see Table 1 in Appendix A). Table 2 (Appendix A) provides a general overview of the unemployment situation throughout this decade. The average rate of unemployment jumped sharply at the end of the sixties and grew steadily throughout this period from 4.7% in 1969 to a high of 8.3% in 1978. By 1979 the ranks of the unemployed had swelled to 898,000 people. In Canada all groups were affected but there were important variations in terms of the impact on particular groups and regions. Unemployment rates grew rapidly in the Atlantic provinces, slowly in Central Canada and remained steady or declined in the western provinces. Rates were above the provincial average in the Atlantic provinces, BC and Quebec.

The rate of unemployment grew more rapidly among youth than the older section of the workforce. This reflected the increased labour force participation of the postwar baby boom and the impact of the recession on new workers. The youth share of the labour force increased substantially to 1975 then declined as the result of slower population growth. Youth remained a disproportionate share of the unemployed throughout the decade. Young people accounted for 26.3% of the labour force growth in 1976-79. The rate of unemployment for this age group increased from 13.9% in 1970 to a peak of 17.8% in 1978 (see Table 3, Appendix A).

The other major demographic shift that had an impact on the labour market and the nature of unemployment was the increased labour force participation of women. The numbers of women in the labour force increased steadily and strongly in the postwar period. This change reflected the impact of a number of factors, including the increased demand for labour in occupations traditionally dominated by women, the changing family structure and
the increased need for two incomes to support families. The dramatic increase in the employment of women was concentrated in clerical, sales and services jobs. The rate of unemployment for women remained higher than that males throughout most of the decade.¹

To address the problem of rising unemployment in the early seventies the federal government introduced a number of measures designed to provide short-term jobs for students and other groups of unemployed workers. In the spring of 1971 the Prime Minister launched the Opportunities for Youth program as part of a series of programs to address the problem of student unemployment. The following fall the Finance Minister introduced the Local Initiatives Program as part of a larger Special Employment Plan designed to create jobs for unemployed workers in the winter months. In 1973 the government introduced the Local Employment Assistance Program to address the needs of 'disadvantaged' workers.

These programs marked an important break with the policy legacy of federal-provincial cost-shared public works and capital infrastructure projects. LIP and OFY provided funds directly to community groups, municipalities and Indian Bands to create employment for a wide range of unemployed workers on 'imaginative' projects that would promote 'community betterment.' In contrast to more traditional measures to create work for male construction workers, LIP and OFY funded jobs in a range of jobs for male and female workers in the broader public sector. The result was a dramatic expansion of funding to community groups and organizations to provide 'alternative' programs in the arts, media and social services.

The expansion of job creation programs in the early seventies coincided with a dramatic increase in the number of federal and provincial programs promoting community development and participation. Influenced, in part, by the rediscovery of poverty and inequality after the postwar economic boom, the expansion of these programs reflected an attempt to mediate tensions related to student unrest, rising unemployment and concern over the militancy in the province of Quebec. Promoting citizen participation represented a different way to administer government funds to community groups for 'managing their own

solutions’ to problems affecting their communities.²

In 1976 the administration of job creation programs was tightened considerably and the programs were re-introduced as part of a five year community employment strategy to combat short-term and cyclical unemployment. The names of the programs were changed to Canada Works and Young Canada Works. In announcing the programs the Minister of Manpower and Immigration stressed the role that federal job creation would play in promoting ‘real work.’ The private sector was encouraged to participate in the program. The announcement of the new employment strategy coincided with changes to unemployment insurance to allow for the ‘developmental use’ of unemployment insurance funds for job creation, work-sharing and training. A new employment tax incentive scheme was introduced in 1978. These changes in the nature and design of job creation coincided with a considerable rethinking of the state’s responsibility to ensure high levels of employment. The amount of funds available for job creation diminished relative to the rise in unemployment in this period.

Competing Explanations

There have been relatively few attempts to trace the factors that influenced this shift in the direction of job creation policy in this period. There are three basic sets of explanations. The first suggests that the introduction of job creation programs in the early seventies represented a form of social control, both in terms of providing funds to organizations representing the new social movements and easing the tensions related to unemployment. A second suggests that job creation policy tended to follow an 'evolutionary' process with successive policy instruments designed to respond to periods of high unemployment. A third suggests that changes in job creation policy are best understood in the context of the broad set of forces that shaped the major shift in the direction of economic and social policy before and after 1975.

This dissertation builds on the insights of all three of these sets of explanations but argues that none of them on their own helps us understand the complex interrelationship between class, bureaucracy and state that characterizes the policy-making process. Instead we need to look inside the state to understand how broad political pressures to address rising unemployment influenced the nature and direction of job creation policy. This type of analysis allows for (i) the influence and constraints imposed by the institutional features of the state (its structure); (ii) the legacy of policy actions over time; and (iii) the role of policy actors and ideas in shaping the overall direction of policy.

There are four main points to the argument developed in the dissertation. While job creation reflected the policy legacy of a liberal welfare regime throughout this period, the factors influencing the direction of policy were different before and after 1973. In the early

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seventies OFY and LIP represented an attempt to mediate broad political tensions related to rising unemployment and the demands of a new generation of social activists. The policy context shifted dramatically in the period after 1973 in the context of a deteriorating economy and a dramatic shift in the ideological paradigm informing both broad economic and manpower policy. These changes reflected a major shift in the overall balance of class forces and a sharp reduction in the ‘political space’ for progressive forces to influence policy.
Introduction

Recent debate in the public policy literature polarizes around explanations of state action that stress the role of broad social and class forces and explanations that focus on the role of the bureaucracy and the institutional features of the state. The resurgence of interest in Marxism in the late sixties was premised, in part, on a critique of the notion of a neutral state that characterized the dominant pluralist paradigm in political science and public policy. More recently this perspective has been criticized in the policy literature for avoiding the internal features of the policy-making process: the ideas and actions of policy actors, the historical legacy, patterns of public policy, and the institutional features of the state. Proponents of the state’s autonomy argue that the state is more than an arena of class struggle and that state actors operate in a manner that is independent of class and other broad social forces.

At the heart of the debate is a controversy over the relationship between the state and civil society. Part of the problem has been the polemic tone of the debate and the emphasis it places on the relative merits of ‘state-centred’ versus ‘society-centred’ explanations of social policy. It is possible to reject the view of the ‘autonomous’ state while at the same time accepting the position that policy analysis must look ‘inside’ the state to understand how broad class and other social pressures are mediated. This chapter traces the origin of the society-centred versus state-centred debate to the early works of Marx and Weber. The rest of the chapter reviews the current debate and how it is reflected in the literature dealing with short-term job creation in the seventies. The last section suggests that we need to return to the concept of the state as a ‘contested’ terrain to understand how broad forces are mediated within the state.
The Classical Writers: Marx and Weber

The classical works of Karl Marx and Max Weber provide crucial reference points for the debate over the relationship between state-centred and society-centred explanations of social policy. Both wrote in response to conditions caused by rapid industrialization in nineteenth century Europe. The role of the state in nineteenth century capitalist societies, while significant, was relatively limited in comparison to state intervention under advanced welfare states. Marx, Weber, and others considered the state an important, but not central, element in their social analysis.¹

The theoretical analysis of the state was relatively undeveloped in the work of Marx but there were a number of fundamental positions evident in his work. In *The German Ideology* and *The Communist Manifesto*, Marx and Friedrich Engels viewed all forms of societies and change in society as arising out of the struggle between classes of people. Marx and Engels defined classes by their relation to the means of production. In capitalist societies there are two major classes: capitalists who own and control the means of production and the proletariat who sell their labour in exchange for wages. Classes are not homogeneous: each class emerges and maintains cohesion and definition in relation to others. Class in this context is more than a description of social and economic indicators. The term refers to a *social relation* between two groups of people who are engaged in a process of definition and re-definition over time.²

Marx rejected the notion of the state as an "objectification of general interests."³ The state in capitalist societies was not an independent structure above society, but one deeply embedded in the total social process. The key source of power was the private ownership of the means of production. The notion that the state was neutral was illusory. The state emerged from the relations of production. As a result it served the interests of the ruling class rather than the 'common good'. While the state was central to the process of both

organizing and re-organizing class relations, the primary force driving capitalist society was private entrepreneurial production.

Marx's view of the state and its relationship to civil society has been the subject of considerable interpretation. David Held and Joel Kreiger identify two strands: one evident in his early work, and the other evident in his more mature work. Position one stresses the view that the state, generally, and bureaucratic institutions, in particular, emerged as a distinct sphere in society. The state may take a variety of forms and constitute a source of power which may not be linked to the interests, or be under the control of dominant classes. The state retained its essential centrality, but the institutional forms and coöperational dynamics could not be inferred directly from class forces. The "autonomous state" was not simply the instrument of the bourgeoisie. At the same time, the actions of the state were framed (and limited) by the conditions of the class struggle and the structure of a class society.41

The view of the "autonomous" state in Marx's writings can be traced to *The Eighteenth Brumaire*, an analysis of the rise to power of Louis Napoleon in France in 1848-52. In his analysis of Napoleon's regime, Marx challenged the view that the state was an "instrument of rationality" or "ethical community." The state apparatus was both a "parasitic body" on civil society and an autonomous sphere of political action. Rather than being a "subservient" organization, the state was an immense set of institutions with the capacity to both shape society and curtail the power of the bourgeoisie. The executive, under particular circumstances (and where there is a conducive balance of social forces) has the capacity to promote change as well as coordinate it.

Position two is most prominent in Marx's later work. In this view the state and

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4 For this discussion I rely heavily on the interpretation of Marx's work that D. Held and J. Kreiger developed in "Theories of the State," *The State in Capitalist Europe*, eds. S. Bornstein et. al. (G. Allen and Unwin. Harvard University, 1984) 2-4. See also K. Marx, *The Eighteenth Brumaire of Louis Bonaparte* (New York: International, 1963) See also M. Carnoy, *Political Theory and the State* (1984) 48. Carnoy argues that it is not unreasonable that young Marx viewed the state as having "a life of its own," separate from civil society. In Germany at the time there was a separation of the state on the one hand and a rising civil society of the bourgeoisie on the other. In *The German Ideology*, under the influence of Engels, Marx's view of the state as a class-bound institution began to take shape.
bureaucratic machinery are class instruments which emerged to coordinate a divided society in the interests of the ruling class. In *The Communist Manifesto*, Marx argued that the independence of the state from the dominant class is illusory: "the executive of the modern state is a committee for managing the common affairs of the whole bourgeoisie." There is little room for autonomous state action in this analysis. The private ownership of property determines the nature of political power.

The first position in Marx’s work allows for the possibility that the state is a potential arena of struggle which can become a key force for socialist change. The social democratic traditions developed from this notion. Revolutionary positions developed from position two. This is the view that dominated the work of Lenin and others who followed Marx in the late nineteenth and early twentieth century. Thus, Lenin argued that the capitalist state is a “machine for the oppression of one class by another” and “the instrument for the exploitation of wage labour by capital.”

Both of these strands in Marx’s work viewed the state as central to the integration and control of class-divided societies. The dominant economic class could rule without directly governing and exert political influence without having representatives in government. While the bourgeois class dominated the state, that class was fractious. This meant that the state could be independent of sections of the bourgeois class. The state still acted as an conservatizing force in society. The state’s autonomy and the development of the class struggle were intertwined.

The emphasis Marx placed on historical materialism points to the importance of examining the state’s structure and actions within an historical context. The material conditions of a society form the basis of its social structure and of human consciousness. It is not the state that shapes society, but society that shapes the state. Given that society is in turn shaped by the dominant mode of production and the relations of production, it follows

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that we need to understand how state actions are shaped and constrained by the overall balance of class forces at particular points in time. The state is not "above" class struggles but deeply engaged in them. In this context, state action needs to be understood in the context of particular historical conjunctures and social formations.⁴

While Weber was a contemporary of Marx, his writings begin from a substantially different standpoint. Weber focused on the nature of bureaucracy and its critical role in an increasingly complex state structure. Weber began with the position that there was no relationship between class power and the power of the state or bureaucracy. State power was expressed instead through a myriad of institutions of public administration, parliament, military and so on. The power of the state did not rest on the economic power of class, but on the belief that the institutions and commands of the state are legitimate. The power of the state was based on a monopoly of physical coercion. Class and state were essentially independent spheres of social life.

In Weber's writings the power of the state is legitimized and sustained, not by the power of an economically dominant class, but by a belief in the justifiability and/or legality of monopoly. This legitimacy is founded on a legal authority and a commitment to a code of rules. The bureaucracy was foremost among state institutions as a vast network of organizations run by appointed officials. Weber extended the meaning of bureaucracy from officialdom or civil service to a particular mode of organization. The growth of bureaucracy was not the effect of the growth of capitalism but it helped promote capitalist development. Weber described the spread of bureaucracy in terms of its technical superiority over other forms of organization. As economic life became more complex and differentiated, bureaucratic administration became more important.⁹

Weber disagreed with Marx's central position that there was a fundamental relationship between economic power and state power. Socialism would simply mean that top management of the nationalized or socialized enterprise would become bureaucratic. The

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⁴ Ibid., 49.
reliance on those who control resources would be enhanced. The abolition of the market would involve the abolition of the key countervailing power to the state. A central question for Weber was to understand how bureaucratic power could be checked in complex societies and institutions. Considerable power accrued to bureaucrats in the form of expertise, information and access to services. Rule by officials was not inevitable, but it was a danger as politicians and political actors of all kinds became more dependent on the bureaucracy for information and services.

Weber’s attempt to analyze the internal workings of public and private organizations and his observations about trends in bureaucratization remain a major contribution to our understanding of the modern state. The notion that the state is independent and separate from civil society acts as an important counterbalance to Marx, and especially Leninist interpretations of his work. The central position that private and public administrations are autonomous, as opposed to causally determined by class power, is a strong current in the present-day debate over the state’s autonomy and the relative merits of state-centred versus society-centred explanations of social policy.

We still need to understand the complex relationship between the state and the overall balance of class forces and how various interests get mediated within the structure of the state. Marx went a long way towards this goal in his discussion of historical materialism and the notion of class as a social relation, but his theory of the internal workings of the bureaucracy is less developed. Weber’s emphasis on the formal characteristics of bureaucracies is useful if the intent is to understand the relation among classes, bureaucracy and the state. Two central questions remain after reviewing the classical writers. Why does the state in capitalist society tend to exercise power in a way that ensures perpetuation of the key relations of domination and inequality? How are we supposed to understand the complex interaction between class, state and bureaucracy that characterize the policy-making process in the current period?
Pluralism and the Neutral State

During the postwar period a consensus emerged in most western industrialized countries over the state's role in ensuring the conditions required for sustained economic growth and high levels of employment and income. For many political observers, the effective "management" of economic policy had resolved the political tensions that characterized the period leading up to W.W.II. The "technocratic solutions" of the managers of economic policy were deemed to be safely elevated above the fray of partisan politics. Political scientists heralded the "end of ideology" by claiming that the ideological debates over economic and social policy had been resolved. Systems theory contributed to research which centred on societal inputs to government and their distributive effects on government outputs.

Weber's work underlay the American tradition of empirical democratic theory and pluralism. Empirical democratic theory assumed that the institutional arrangements of the state were designed in principle to ensure that political leaders remained responsive to the views and interests of the mass of citizens. The competition of elites (political leaders) for electoral support and the influences exercised by organized interests during elections ensured that state power was distinct from class power. The role of government was to reflect an evolving consensus among competing interest group.

Pluralism provided an important framework for understanding political behaviour in this context. Pluralists argue that the state's role in negotiating diverse interests is a source of democratic equilibrium in western capitalist societies. The task of empirical research in political science is to understand how the interests of various groups are represented within the state and reflected in various decisions and policies of the state. Power in modern society is both disaggregated and non-cumulative: it could be shared and bartered among groups spread throughout society. There are inequalities based on wealth, status, education and other characteristics but nearly everyone can be "more equal" than someone else regarding some

11 M. Carnoy, Political Theory and the State, 33-36.
resource.

The role of the state is to evolve a consensus among competing interest groups. The state both serves the electorate and acts as a neutral arbiter. The common good is defined as a set of empirical decisions that may or may not reflect the will of the majority. At the same time, the state has considerable autonomy from various competing interests. Bureaucracies act as agencies which both pursue their interests and respond to the pressure placed upon them by outside groups and individuals. Elites have a considerable degree of influence on policy-making, but the competition between different groups and elites acts as a counterbalance to ensure that no one group dominates in terms of influence. There are conflicts over power but the very process of interest bartering assumed a tendency towards equilibrium.
Neo-Marxism: Instrumentalism and Structuralism

The resurgence of interest in Marxism in the late sixties represented a direct challenge to the assumption in pluralism that the state was neutral and a 'level playing ground'. For Western Marxists, the late fifties marked the end of Stalinism and the beginning of the end of the Cold War. With the success of the Russian Revolution, Leninist interpretations of Marx's theory of politics dominated Marxist literature. This meant that no many of the more serious questions about the relationship between the state and civil society were not addressed from a Marxist perspective until the sixties and seventies. The central task for the Neo-Marxist revival was to understand why the expansion of state activity in the postwar period had not resolved essential questions related to inequality and distribution.13

In *The State in Capitalist Society* Ralph Miliband confronted liberal democratic theorists with the “facts” about the social background, personal ties and shared values of economic and political elites. Arguing against the notion that the state was ‘neutral’, he made a number of claims regarding the essential class nature of the state: (i) in contemporary Western societies there is a dominant or ruling class which owns and controls the means of production; (ii) this class has close links to powerful institutions, political parties, the military, universities, the media and so on; (iii) and this class has disproportionate representation at all levels of the state apparatus, especially in command positions. It was important to distinguish between the ruling class and the governing class which holds positions in the institutions of the state. The class nature of the state depended on the formal and informal ties between state personnel and the capitalist class.14

Poulantzas criticized the “instrumentalism” in Miliband’s work in the now-famous debate in the *New Left Review*. Poulantzas argued that Miliband erred in his emphasis on the direct links between capital and labour. Poulantzas’ main criticism of Miliband was for

13 It is important to note here that other, non-Marxist writers were also challenging the notion of a neutral state. In the United States, C. Wright Mills was one of the first writers to argue that there was a powerful elite that dominated the political process. See C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956). In Canada the publication of *The Vertical Mosaic* by John Porter in 1965 made a similar assessment of the nature of power and elites in Canadian society.


analysing the state in terms of the individuals who controlled it, rather than in terms of the objective structural relations that linked the state to class struggle.\textsuperscript{16} Poulantzas rejected the view that the state was “an instrument for the domination of society” and what he called Miliband’s subjectivist approach. If the functions of the state and the interests of the dominant class coincided, it was because of the structural necessity and not personal preference.

Poulantzas introduced the concept of “relative autonomy” to describe the relationship between the state and civil society. Since the dominant class was vulnerable to fragmentation, its long run interest requires protection by the state. The state could sustain this function only if it were “relatively autonomous” from the particular interests of diverse fractions. The state had a relative autonomy from the power bloc based on the spatial separation between the juridico-political and economic levels. Thus, the state could:

by its very structure, give to the economic interests of certain dominated classes guarantees which may even be contrary to the short-term economic interests of the dominant class but be compatible with their political interests in hegemonic domination.\textsuperscript{17}

The degree of autonomy an actual state acquired depended on the relations among classes and class fractions and on the intensity of social struggles at specific historical conjunctures.

Part of the merit of Poulantzas’ work was the emphasis he placed on the need for an analysis of the political level. The state is not an isolated set of institutions but a site of class struggle and class compromises which both shape and are shaped by the economy. The political influence of different classes and class fractions depends on the institutional structure of the state and the effects of state power. Classes are not simple economic forces existing outside and independent of the state. At the same time, class struggle is not confined to civil society. Class struggle is reproduced within the heart of the state apparatus itself. This implies that the capitalist state is itself an arena of class conflict. The state is shaped by class forces but it is also the product of class struggle within the state. The state is also the site of organized conflict by mass social movements to influence state policies and gain

control of state apparatuses. In later writings Poulantzas abandoned the strictly “structuralist” influences in his work and argued that the state should be viewed as a social relation. In each instance it is important to look at how political class struggle is reproduced and transformed within the state apparatus so that bourgeois political domination is secured.

There are two main criticisms of Poulantzas work and the influence of structuralism. The first points to the inherent functionalism and determinism in his work. While the view of the state developed in his later work acknowledged the role played by class struggle, Poulantzas continued to insist that in the long-term state action would operate in the interest of the capitalist class. At the same time, he did not specify the mechanism that would guarantee this relationship between the state and the dominant class. Nor did he pay much attention to the role of working class struggle in altering the parameters of state action. The second critique relates to the failure of both instrumentalist and structuralist views of the state to take into account the internal workings of the state. Ian Gough criticizes structuralism for its failure to recognize the state as an independent subject, capable of facing alternatives, taking initiatives or even making mistakes. Held and Kreiger contends that Poulantzas’ emphasis on the state as a “condensation of class forces” tends to preclude an interest in how institutions operate and the manner in which relationships among elites, government officials and parliament evolve. The emphasis on class forces ignores other types of social forces.

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The State Autonomy Debate

While Marxist analyses dominated the literature on the state in the seventies, recently, individuals writing from a more liberal perspective have taken over this terrain. The statist literature has earned considerable acclaim for the distinction it draws between state-centred and society-centred explanations of public policy. This literature has sparked considerable debate about the state’s autonomy or independence from external class forces and other social and economic pressures. Writers in this perspective have been critical of the tendency in the Neo-Marxist literature to view state action and policy as a reflection of societal structures. They argue that both pluralism and Neo-Marxism have tended to ignore the internal workings of the state and the actions of political actors within the bureaucracy. This emphasis denies the state any responsibility for its actions.

Fred Block was an early advocate of this view. In “The Ruling Class Does Not Rule” he acknowledged the ways in which transnational structures and conjunctures affect the course of domestic politics. He also conceded that the relations of production were important for understanding the nature and role of the state. He goes on to argue, however, that state power is not “sui generis reducible to class power.” Rather “each social formation determines the particular way in which state power will be exercised by class power.” For Block, the capitalist class-state conflict is rooted in class struggle. The state clearly has a life of its own, independent of pressures that might or might not come from the working class. In “Beyond Relative Autonomy,” he pointed to the complexity of how a divided business class gets its proposal on the public agenda. To understand this process it was necessary to shift attention to the “processes within the state that mediate between business influence and policy outcomes.”

Block concedes that capital’s control over investment and wealth, as well as the functional necessity to ameliorate the consequences of capitalist economic forces, acts to constrain the state. At the same time, state managers are capable of making policy decisions

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independent of, and contrary to, the direct interests of capital. 24 Along with class forces there are also other social forces that have an impact on the public agenda:

many other collective actors organized around race, gender, age, sexual orientation or shared view. 25

Classes and other social groupings are themselves constituted through political processes. In this context social groupings and social mobilization are not the automatic consequence of social structure.

Theda Skocpol was one of the first writers to make the distinctions between state-centred and society-centred paradigms. She entered this debate in 1978, with her doctoral thesis, States and Social Revolutions. In this work, Skocpol suggests that crises in state systems rather than class antagonisms best explained the French, Russian and Chinese Revolutions. She rejects both pluralism and Neo-Marxism but is particularly critical of Neo-Marxism and its tendency to view state action as product of struggle rather than of the functions and complexity of the state itself. The state needs to be viewed as more than an "arena in which social groups make demands and engage in political struggles or compromises." 26

Skocpol points to the need to examine how the pattern of state structures influences group formation, interest articulation and political capacities. This involves studying how the state:

unintentionally influences the formation of groups and political capacities, ideas and demands of various sectors of society. 27

State officials may take initiatives that take into consideration geopolitical and or internal state interests. However, the development of welfare policies depends crucially on the specific historical patterns and trajectories of party systems and the nature of the franchise and forms of political mobilization.

There are critical differences in the degree to which Skocpol and Block are willing

27 Ibid., 21.
to entertain some level of class analysis in their work. Nevertheless, state autonomy for both writers refers to the ability of the state to formulate and pursue goals that are not simply reflective of the demands or interests of social groups and classes. State actors and, in particular, state managers are capable of independent action. It is important to understand the influence that policy legacies, institutions, the views of state managers and the role of non-class forces play in influencing and/or determining the direction of specific policies.

The state autonomy literature raises important issues about the importance of examining the internal workings of the state in the study of public policy. The view that the state is ‘autonomous’ from civil society, however, raises a number of serious dilemmas. There are two main points to this critique. First, while Skocpol and others have faulted pluralists and Neo-Marxists for treating the internal workings of the state as a “black box,” proponents of state autonomy are criticized for ignoring any systematic connection between state intervention and the relations of production or other socio-economic forces. Second, there is a tendency to reduce the “politics” of social and economic policy-making to bureaucratic conflict within the state. Bureaucratic and institutional forces maintain a form of autonomous logic, relatively insulated from the active lobbying or pressures from outside forces. This is not dissimilar to the views of Weber described earlier and raises some of the same theoretical problems. As David Wolfe and others have argued, this approach ignores the broad patterns of state policies and their relationship to the relative strength of class and other social forces.

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Bureaucracy, Class and State Revisited

Part of problem with the state autonomy literature is the polemic tone of the discussion. Skocpol, in particular, has been intent on attacking the class-theoretical approach inherent in Marxist analysis and in the process to “prove” that the state is independent from class forces and that state-centred explanations of social policy have more merit. This is not a new debate. There are strong echoes of the classical debate between Weber and Marx. At the same time, the critique that the Neo-Marxist literature tends to ignore the internal workings of the state is not unfounded. Part of the problem has been the fact that the Neo-Marxist revival was, in part, an attempt to respond to pluralism and its emphasis on understanding how interest group interests were reflected in state policy. The result was a tendency to treat the state as a ‘black box’ where class interests were mediated.

Political economy needs to return to an examination of the internal workings of the state to understand how state action both shapes and is shaped by broad class and other social forces. As Peter Hall and others have argued, the internal structure of the state imposes its imprint on policy outcomes in such a way that policies should not be reduced in a direct way to the political effects of class and other social forces. Policy outcomes need to be viewed as the result of social conflicts mediated through the internal structures and organizational forms of the state.30 The contention that the state constitutes a distinct organizational environment which informs initiatives of political actors is important.

We are still left with questions about why and how the state under advanced capitalism continues to reinforce inequality and domination. The problem with the neutral state analysis is that it avoids the complex relationship between class, state and bureaucracy that characterizes the policy-making process. There is no analysis of power and how structured inequality gets reproduced in capitalist society. It is possible to reject the determinism in structural functionalism and retain the notion of the state as being embedded in civil society. The notion of the state as a “reflection of social relations” and “a contested

terrain” allows us to do this.31

Neo-Marxism provides us two important concepts that are based on Marx’s original analysis. The first points to the need for conjunctural analysis. The state’s ability to mediate tensions is rooted in a particular set of material conditions. At each conjuncture, the overall balance of class forces will determine the opportunities as well as the constraints that will affect state action. Within the state it is the balance of political forces which determine how policy expresses these economic and/or political demands. This pattern will vary for different forms of policy production according to the tradition and policy legacy and the ability of structure to mediate tensions and “deliver” policies.32

The second contribution of this literature builds on the concept of contradiction. Gough uses the term to describe the welfare state:

> It simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over the blind plan of market forces; and tendencies to repress and control people to adapt them to the requirements of a capitalist economy.33

It follows that we need to explore how these contradictions are reproduced within the state policy-making process itself. The emphasis is on understanding how pressures and demands from popular forces are mediated within the state and how real gains can result in fresh sets of contradictions.34

The study of policy and policy-making needs to try to understand how this mediation takes place. This analysis allows for (i) the influence and constraints imposed by the institutional features of the state (its structure), (i) the legacy of policy actions over time and (iii) the role of agency and ideas. It also allows for a considerable degree of “independence” for actors inside the state. We still want to understand how broad forces and demands for reform get mediated within the state. This involves an analysis of power and how it is

reproduced within state structures. It also involves a political analysis of how ideas emerge and the linkages between policy paradigms and the particular configurations of economic and political arrangements. The emphasis is not simply on "ideas" but on the power relations behind the ideas as they become a material force.\textsuperscript{35}

**Class, Power and the Canadian State**

We can turn to recent writings in the political economy literature to get some insight as to how the Canadian state both shapes and is shaped by the balance of class forces. Wolfe, Rianne Mahon and Esping-Anderson make important contributions in this regard. In an article in the Canadian Review of Sociology and Anthropology, Wolfe goes a long way towards developing the relationship between class, state and bureaucracy. He argues that neither the institutional form of the state nor the pattern of class forces are reducible to the other:

the structure of state power is not simply the result of the impact of the political balance of class forces, but also the reciprocal effects of political institutions on class struggles, as well as the specific manner in which class contradictions are inscribed within the institutional ensemble of the state.\textsuperscript{36}

The relative strength of the working class is a key determinant in shaping the overall direction of the welfare state. Within the state the strength of social democratic and other parties of the left reflect power of the working class. The primary expression of this power in parliaments is the control of elected officials. Since working class power is largely parliamentary, political parties representing the interests of this class need to form working alliances with other political parties representing other classes. In comparison to other developed capitalist democracies, the working class in Canada is relatively weak. The failure of the CCF or NDP in the postwar period to achieve electoral success at the national level reflects the political balance of power favourable to capital.

The industrial mobilization of W.W.II enhanced the political role of industrial workers and their allies. Organizing efforts increased and union membership doubled.


\textsuperscript{36} D. Wolfe, "The Canadian State in Comparative Perspective," 109.
Support for the CCF grew at the same time, but was reduced following a dramatic shift to the left by the Liberals. The postwar welfare state was shaped, in part, by this shift in the overall balance of class forces during the war years. At the same time, the failure of the CCF/NDP to make major electoral gains at the federal level limited the influence the working class has been able to exert over the direction of state intervention. There were only two occasions in the last half century when political circumstances have permitted the CCF/NDP to exercise real influence on the state: during the early and mid-sixties and during the period of minority government in 1972-74. Both of these periods involved a significant shift to the left in the policy agenda of the federal Liberals.\(^{37}\)

Despite Canada's poor performance in areas of social and labour market policy, workers enjoyed a rising standard of living during much of the immediate postwar period. Much of this prosperity reflected the high level of demand for Canadian resources exported to international markets. During the late sixties and early seventies this economic performance began to deteriorate under the combined impact of the rising wage militancy of trade unions and the instability resulting from the breakdown of the international financial regime. The collapse of the postwar accumulation strategy was marked by the abandonment of Keynesianism and the adoption of both wage controls and monetary gradualism in 1975. After 1975 the federal government relied on a series of coercive measures to restrict the scope of collective bargaining and expenditure restraint, especially in areas of social policy. The rightward trend in the direction of state intervention since 1975 has marked a significant shift in the political balance of class forces away from labour and other popular democratic forces.\(^{38}\)

Both Mahon and Wolfe make the argument that the balance of class forces is also reflected in the institutional structure of the state. While the state does not intervene directly to promote accumulation, the state must rely on private capital accumulation for its revenues

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\(^{37}\) Ibid., 106.

and its sources for popular legitimacy.\textsuperscript{39} The hierarchical way power is distributed among departments and branches of the state bureaucracy reflects the dominance of finance capital and aids its accumulation of wealth:

\begin{quote}
the particular department . . . which dominates in the determination of policy represents the hegemonic fraction of capital whose interests are best served by the accumulation strategy of the state.\textsuperscript{40}
\end{quote}

The differentiation of roles and responsibilities among branches of the bureaucracy represents more than a formal division of policy-making and administrative roles. They also reflect the interests of specific social forces who attempt to influence the direction of policy. Particular ministries and departments represent the interests of various political forces in society more closely than others, because of the internal division of labour that characterizes the state apparatus. Both Mahon and Wolfe argue that the hierarchical distribution of power among these various agencies privileges a certain set of concerns over and against other ones.

In this regard, there is fairly substantial agreement among class and non-class theoretical analysts that the Department of Finance is the predominant department in the Canadian bureaucracy. The department historically has had the veto power over policy proposals emanating from other departments. The stature of the department in the overall hierarchy emanates from its responsibility for economic policy. This role was enhanced considerably under the particular version of the Keynesian compromise fashioned after W.W.II. The emphasis on macroeconomic levers and "economic management," introduced a bias in the selection of policy alternatives. This bias emphasizes adoption of policies affecting the allocation of credit, government procurement, and economic planning to influence the intersectoral allocation of investment capital. Richard French describes the department's role as:

\begin{quote}
typical of Finance/Treasury portfolios in the Anglo-Saxon countries for it derives from the dominant schools of macroeconomic theory . . . Intrinsic to Finance's concern with the purity and integrity of what it saw as "economic" (ie. the department's stabilization instruments) was a reflex
\end{quote}


\textsuperscript{40} D. Wolfe, "The Canadian State in Comparative Perspective," 108.
anti-interventionism, a confidence in the allocation of resources by the market and a sense that these essentials must be protected by all costs.\textsuperscript{41}

Wolfe argues that the disenchantment with Keynesianism in the sixties influenced a period of institutional innovation and changes in the structure of the bureaucracy. The expansion of supply-side departments, in particular, led to the fragmentation of policy-making and a diminished role for the Department of Finance. The gradual abandonment of Keynesianism in the mid-seventies and the shift to monetarism at the Bank of Canada meant that the latter institution emerged as a locus of policy-making. While the Department of Finance's role diminished in this period, there was rarely any discord between officials in that department and at the Bank of Canada. The interests of other social forces represented by more junior departments such as the departments of Labour, National Health and Welfare or Employment and Immigration rarely prevailed in internal policy debates with Finance.\textsuperscript{42}

While the work of Wolfe and Mahon provides important insights into the hierarchical division of labour within the state and its relationship to the overall balance of class forces, it is not always clear when we begin to look at different departments how particular class struggles become transformed. While the Department of Finance represented the interest of the dominant fraction of capital before and after W.W.II, it is less clear what class interests dominated more junior departments, particularly in the postwar period. The Department of Manpower and Immigration, for example, was established to mediate the tensions between labour and capital vis-à-vis a supply-side labour market strategy in 1966. As unemployment increased in the period after 1975, one could argue that the balance between labour and capital shifted in favour of capital. The problem of policy analysis is to understand how this shift transpired—the ideas, actors and policies that resulted. We also need to look at departments that ostensibly represented the interests of other types of social forces. The expansion of grant programs in the "citizenship participation" programs of the late sixties,


for example, garnered a range of new constituencies that reflected the growth of the new social movements representing youth, women, native people and the poor.

**Broad Patterns of Economic and Social Policy**

The relationship between class power and particular policy configurations is elaborated further in the work of Esping-Anderson. In *The Three Worlds of Welfare Capitalism* he argues that the design and role of social policy in the total matrix of the welfare state reflects the impact of working class mobilization in postwar capitalism. Social policy serves in this context as a critical indicator of the power resources of the working class because it substitutes the distribution of material resources through market mechanisms. Relying on comparative research of capitalist democracies, Esping-Anderson identifies three 'clusters' of welfare state regimes based on the model's impact on social stratification and the degree of de-commodification of workers. To establish his typology he uses a broad definition of welfare state policies that goes beyond traditional 'welfare' measures to include measures that reflect the state's role in managing and organizing the economy. This includes policies that govern the nature and conditions of the labour market as well as the overall macroeconomic strategy.

The concept of regime implies that the relationship between the state and the economy is a complex of legal and organizational features that are systematically interwoven. Building on the work of Karl Polanyi, Esping-Anderson views social rights in terms of their capacity for de-commodification or the degree to which they allow people to make their living "independent of pure market forces." Social rights and social stratification are shaped by the "nexus of the state and the market." The predominant program design of welfare state policies determine its overall impact on social stratification.

Esping-Anderson identifies three major regimes of social welfare in advanced capitalist states. The evolution of the welfare state in each country reflects the result of the

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state’s history of nation-building and/or the influence of Conservatism and Catholicism.\textsuperscript{44} The Conservative pattern is prevalent in parts of continental Europe. The predominant program design includes ‘occupational and status-inclusive schemes’. Social security is provided through a variety of public social insurance measures which collectively encompass most of the population and leave little room for selective, means-tested measures. At the same time the programs tend to provide very different types of coverage to groups based on status and income. The overall impact in terms of stratification is to reinforce rather than challenge inequality. The political power of the working class is not decisive in shaping this model of welfare state intervention, instead Esping-Anderson points to the influence of bourgeois-church coalitions.

The social democratic welfare state regimes are identified with Scandinavian countries, in particular, Sweden. The predominant design of social welfare programs is universal. Non-egalitarian social insurance measures that are typical of Conservative systems are avoided as are selective means-tested programs. Instead the emphasis is on building solidarity among citizens and the de-commodification of the welfare state through the redistribution of income to reduce social and economic inequality and the maintenance of full employment. Social democracy and the relative strength of the organized working class is clearly the dominant force behind the development of social welfare reform.

The most salient characteristic of the social democratic regime is the “fusion of welfare and work.” This commitment is threefold: a guarantee of full employment; a strong work ethic and a commitment to the “right to work” and the right to income protection. Given the enormous costs associated with a universal welfare system, it follows that the best way to minimize cost and maximize revenue is to ensure that most people are working and the fewest possible depend on social transfers. What makes the social democratic regime unique among the three types of welfare states is the integration of economic and social policy. Full employment for men and women is a primary policy objective. This has implications for employment policy, including training programs and the structuring of

The UK, US, Canada, and Australia represent Anglo-Saxon welfare regimes. The welfare state in these countries is distinguished from the other two regimes by the emphasis placed on market logic in welfare programs. The emphasis is on means-tested assistance, modest universal transfers and modest social insurance plans. Selective measures that have been defined as "poverty programs" are more prevalent. Social insurance programs stress the role of actuarial principles. The welfare state is governed by the fundamental principle that market relations must prevail. Program benefits target low-income clientele, usually working class state dependents. Entitlement rules are generally strict and often associated with a stigma.

This type of regime minimizes the impact of de-commodification. The intent is to strengthen market forms of distribution by ensuring that all but those who "fail" in the market will be encouraged to contract private sector welfare. Both the liberal and conservative variants of social welfare regimes have relatively weak commitments to full employment and the other rights associated with the labour market that characterizes the social democratic model.46

In his latest book Esping-Anderson argues that the history of political class coalitions is the most decisive cause of welfare state variations. Different welfare regimes emerged from distinct patterns of class power. During and after the historical origin of the welfare state political parties played a central role in mediating the impact of class. The capacity of labour movements to substitute "social democratic" forms of intervention related to the historical position of power. If labour movements could affect fundamental change through participation in parliamentary democracy one would expect to find a positive relation between levels of working class mobilization and degree of social democratization. Because of the fact that particular policy configurations create powerful policy legacies and political constituencies, they operate as significant constraints in social and economic policy-making.

In Canada the development of postwar welfare policy reflects the underlying balance

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45 Ibid., 144-145.
46 Ibid., 26-27.
of class forces apparent in other aspects of state intervention. The structure of social security policy conforms to the liberal model. Under pressure from an expanding labour movement and an invigorated NDP, state spending on income security and health care rose throughout the fifties and sixties. This was especially the case during the minority Pearson government when the Liberals were vulnerable to pressure from the electoral gains of the NDP. At the same time, social spending and welfare state programs still ranked well below the European democracies.47

Labour market and employment policy reflected the relative balance of class forces. In this area as well, Canada has consistently ranked behind major European democracies in achievement of Keynesian policy objectives. Comparative studies have repeatedly stressed the country's relatively weak commitment to "high and stable levels of unemployment." Nixon Apple, Wolfe and others trace this weak commitment to the particular version of the Keynesian compromise that was shaped between capital and labour during after W.W.II. This weak commitment to ensuring high levels of employment has been reflected in the fact that rates of unemployment have been higher than those in most European countries.48 There is also an absence of comparable labour market legislation designed to enhance job security and job continuity and a significantly lower level of commitment to an active labour market policy. The relative lack of concern with unemployment levels reflects the more limited and conservative interpretation of Keynesianism adopted by state policy-maker and the weaker bargaining position of labour.49

The weaker commitment to full employment in North America is also reflected in the fact that European practices are much more closely linked to the belief that workers have legal rights to a job akin to property rights. Esping-Anderson argues that European countries with social democratic governments, most notably Sweden, approach the problem of labour

market adjustment in a fundamentally different way from Canada and the US. In European countries there tends to be general agreement on the need to improve competitiveness and productivity and this involves industrial change, but the impediments to industrial change are viewed differently.\textsuperscript{50}

\textsuperscript{50} G. Esping-Anderson, \textit{The Three Worlds of Welfare Capitalism}, 144-161.
Comparative Labour Market Policy

The view that the Canadian labour market policy has been shaped by a weak commitment to achieving high levels of employment is given further support in the comparative research of Goran Therborn. In *Why Some People are More Unemployed Than Others?*, he explains why some western industrialized countries achieved high levels of employment during the seventies while others did not. Therborn’s analysis confirms the view that a political commitment to maintaining high levels of unemployment mattered. The international pattern of unemployment began to emerge at the onset of the 1973-74 economic crisis. Before that time there was a converging trend towards full employment. Even before this point, however, Canada, Italy and the USA had the relatively high unemployment rates. After 1973-74 there was a steady widening of the gap between low unemployment and high unemployment countries.\(^{51}\)

According to Therborn, the strongest predictor of a policy supporting full employment among these countries was the existence or non-existence of an institutional commitment to full employment. While the governments’ responsibility and concern for unemployment was part of the mainstream discourse in all of these countries, this rhetoric was not backed up by the institutional norms and priorities to ensure that there was a corresponding policy commitment. The institutionalization of this commitment involved: i) an explicit commitment to achieving full employment; ii) the existence and use of contra-cyclical mechanisms and policies; iii) the existence and use of specific mechanism to adjust the supply and demand for labour to achieve full employment; iv) and a conscious decision not to use high unemployment as a means to secure policy objectives.\(^{52}\)

There were two sets of reasons why this type of institutionalized commitment was evident in some countries and not others. The assertion of working class interests was evident in the solidaristic approach to bargaining that took place in Sweden and Norway. Countries such as Japan and Switzerland were characterized by a more conservative concern with order and stability which was considered to of equal importance to capital accumulation.

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\(^{51}\) G. Therborn, *Why Some People are More Unemployed Than Others?*, 20-26.

\(^{52}\) Ibid.
Therborn's discussion is important here for confirming Esping-Anderson's models of welfare regimes and the relationship between the historic development of broad employment policy and the commitment to full employment.

While there was no overall formula for maintaining high levels of employment during the seventies, two factors stand out in the experience of the high employment countries: (i) "successful" Keynesianism was accompanied by a consistently complementary monetary policy, including policies that targeted low interest rates and (ii) expansive fiscal and monetary policies were supplemented by national and specific direct measures in the labour market. Therborn traces Canada's high unemployment record to the relatively weak commitment to full employment and the failure to institutionalize the norms or policy commitments both in the immediate postwar period and later during the sixties and seventies.

Three points stand out in this discussion of the comparative employment policy literature. First, policy matters. The countries that were able to achieve relatively high levels of employment during the economic crisis of the seventies maintained policy configurations that would encourage high levels of employment. These countries made a political and institutional commitment to combating unemployment. Second, no one formula that ensured that high levels of employment would be maintained. There were two distinct types of measures, including a mix of macroeconomic strategies and specific labour market interventions. Third, Canada was consistently a "high unemployment" country throughout this period. If one uses Esping-Anderson's social welfare typology of a liberal welfare regime or the measure of an "institutional commitment to full employment" that Therborn introduces, this discussion raises important questions about the development of employment policy during this period.
Competing Explanations: Federal Job Creation Policy

This theoretical discussion has important implications for a review of the literature that addresses federal job creation policy during the 1970s. The emphasis on the interrelationship between the state and the overall balance of class forces avoids imposing a rigid dichotomy between state-centred and society-centred explanations of social policy. We still need to turn to case studies of particular policies to understand how broad class and other social forces are mediated within the state at particular points in time. This type of policy analysis needs to be part of a broad discussion of class, power and political economy. We need to understand how developments in state policy both shape and are shaped by: (i) the overall balance of class forces and (ii) the impact of the institutional features of the state: its structure, policy legacy and the actions of state actors.

By definition, the study of short-term job creation needs to be viewed in the context of federal employment policy and overall efforts to address unemployment. During the seventies short-term job creation programs were also part of a more general expansion of state funding to community groups representing a range of interests in the voluntary sector. The study of the relationship between the state and civil society in the Neo-Marxist literature has tended to focus on the mediation of tensions related to class, specifically the balance of forces related to capital and labour. The study of job creation policy, given that it is a form of employment policy can be expected to reflect tensions between capital and labour. During the early seventies, however, job creation policy also represented an attempt to mediate tensions related to other political constituencies representing young people, women and other marginalized groups.
Job Creation As Social Control

The expansion of job creation programs during the unemployment crisis of the 1970's attracted a number of critics from the emerging New Left. These writers argued that state-sponsored job creation, as a response to unemployment and a source of funding for community groups, represented a larger strategy of social control. Influenced, in part, by the work of American writers such as Piven and Cloward, these authors suggested that job creation programs and other policies designed to stem the worst hardship of unemployment were really attempts to prevent large-scale social unrest. In *Regulating the Poor*, Piven and Cloward argued:

> when mass unemployment leads to outbreaks of turmoil, relief programs are ordinarily initiated or expanded to absorb or control enough of the unemployed to restore order . . . as turbulence subsides the relief system contracts, expelling those who are needed to populate the labour market.  

According to this thesis, fear of increasing racial tension in the United States influenced the introduction of limited welfare and community development initiatives under the federal Urban Program. Piven and Cloward took this argument further in a later work suggesting that programs to stimulate community work represented an attempt to "buy-off" protest and absorb key activists.

Writing in the early seventies, Lorne Huston made a similar assessment of the Opportunities for Youth (OFY) and Local Initiatives Programs (LIP) that the Canadian federal government introduced in 1971. These programs were:

> a safety valve . . . destined for those who constitute a threat to social stability . . . discontent is not simply rendered powerless—it is harnessed to work for the dominant society.

Job creation programs were implemented to deal with the social instability caused by the independence movement in Quebec, dissenting youth and the need to integrate marginals, especially the unemployed, into society.

In an article entitled "The Political Economy of Citizen Participation" published in

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54 Ibid., 68.
1977, Martin Loney suggested that the dynamics of state action were more complex. While sympathetic to the Piven and Cloward thesis, Loney pointed out that it was important to recognize that the ruling class did not have a master plan for all contingencies. The nature of policy response to a specific problem will at times be determined by the elite, other times by ‘oppositional forces.’ The introduction of OFY, LIP and other programs to fund groups in the voluntary sector was, in part, the result of a pre-emptive program by more enlightened elements of the elite and, as well, a process initiated and influenced by grassroots activities. Regardless of the program’s origins state intervention served to maintain rather than challenge the existing social order. This created difficulties for groups who were forced to deal with increased demands for accountability and control over their activities. State funding served to legitimize certain types of activities and behaviour and not others.\(^{56}\)

During the seventies, the social control thesis provided an important break with the prevailing view of a benevolent welfare state. The strength of both the Huston and Loney articles is the attempt to situate state action in the context of the unequal structural relations between the state and community groups associated with the new social movements. Job creation was a response to rising unemployment and to the demands of organizations representing new political constituencies. Both authors situate these developments in the context of the social and political tensions of the period associated with rising unemployment, youth unrest and tensions in Quebec. An expanding economy and healthy federal revenues made it possible to spend money on programs to address these issues.

As a framework for policy analysis, however, the social control perspective suffers from an inherent functionalism and determinism. While Loney went further in acknowledging the role that pressures from community groups played in determining the direction of these programs, he maintained that state efforts in this area would inevitably support the status quo. There appears to be little possibility for change in this analysis. Part of the problem relates to the methodology involved in this kind of analysis. Loney, in particular, stresses the context of policy-making (in terms of the social and political tensions of the period) and

then looks at the impact of state activities on particular organizations. There is relatively little attempt to understand how these tensions were mediated within the state.

In a more recent and updated edition of *Regulating the Poor*, Piven and Cloward argue that their original analysis suffered from this type of functional analysis. Now they argue that it is important to understand that welfare states are not only the consequence of politics but that they also create constituencies. The state both shapes and in turn is shaped by these different constituencies. It is also an organizational environment which both informs the activities of individual actors and allows for the actions of constituencies to take shape.\(^5^7\)

More recently a number of studies have attempted a more nuanced view of the impact of state funding on organizations. In *The Politics of Community Services*, Roxanna Ng provides us with similar insight into the relationship between state funding and community groups. Ng’s study examines the impact of state funding on an employment program for immigrant women that the Outreach Program of the Canada Employment and Immigration Commission financed. She situates the early development of the Canada Employment And Immigration Commission Outreach Program (the source of funding for the agency) in the context of the social and economic pressures described in the Huston and Loney articles. She proposes an alternative view of the development of the program, however, by stressing the notion of a compromise between opposing forces:

the need to cope with a changing social and economic reality by the state on the one hand and the increasing militancy of minority groups and their advocates demanding social programs on the other.\(^5^8\)

There were contradictions and tensions evident in the fact that the provision of state funding was both (i) a response to the demands of community groups and (ii) a conservatizing force on the group’s activities.\(^5^9\)

Sue Findlay looks more closely at the state itself. In her article on the early development of the Women’s Program at Secretary of State, Findlay focuses attention on

\(^{57}\) F. Piven and R. Cloward, *Regulating the Poor*, 445.


\(^{59}\) Ibid.
efforts to negotiate new forms of representation for women inside the federal state. She builds on the work of Poulantzas and Mahon and the notion of the state as a ‘contested terrain’ and an ‘unequal structure of representation.’ Between 1966 and 1979 the Canadian state was “engaging in organizing its formal response to women’s demands for equality.” She argues that during this time women located within the state were able to develop alternative methods for funding women’s groups to promote feminism. This involved substantially different ways of working with groups in the bureaucracy. Findlay uses the notion of conjunctural analysis to illustrate how the ‘political space’ and ‘opportunity’ narrowed considerably in the late seventies. In part, this was because of the enhanced visibility of the program in the department as well as concerns expressed in other branches of the state bureaucracy.60

Findlay’s work is an important contribution in this context. Her work builds on other attempts to understand the movement of feminists into the bureaucracy. The benefit of this work is that it examines the state’s attempt to deal with demands from the women’s movement from the perspective of actors working inside the state. The emphasis on the concept of the state as a social relation and a contested terrain allows for considerably more analysis of the actions of particular actors both within and outside the state. While there is an attempt to integrate a class analysis, it also allows for the actions of new non-class constituencies and their impact on the state. The concept of agency is important in this analysis, but there is also an understanding of the need to understand how political opportunities and constraints are shaped by the institutional features and actions of the state.

Eric Shragge takes up this theme again in his analysis of the impact of state funding on community organizations representing various popular forces. The main concern relates to the power of the state to define and shape the practice of the organizations through the control of funding. In “Community-Based Practice: Political Alternatives or New State Forms?” he argues that it is important to examine the ways in which groups have resisted

these pressures and found ways to develop and maintain autonomy. The historical context of the organization matters, as does the political culture and the social analysis that dominates the organization.\(^6\) This analysis of group action provides an important counter to the earlier analyses of social control. It implies that there is still room for political agency. While state funding shapes the practice of organizations there is still some 'political space' for resistance. Shragge’s work points to the need to examine the factors that are conducive to this type of group action.

\(^6\) E. Shragge, “Community-Based Practice: Political Alternatives or New State Forms?,” *Bureaucracy and Community*, eds. L. Davies and E. Shragge (Montreal: Black Rose Books, 1990) 137


**Bureaucracy and Policy Succession**

The suggestion that job creation and other social programs represented a compromise between the state and outside social forces stands in direct contrast to the analysis of job creation policy in the writings of Leslie Pal. In "Tools for the Job: Canada’s Evolution from Public Works to Mandated Employment", Pal focuses on the role of the bureaucracy and their choice of policy tools in this period. He argues that trends in job creation policy reflected an evolutionary process with successive instruments responding to various periods of economic crisis. In the theoretical section of the paper he argues in favour of the development of a “mid-range” theory to help explain developments in social policy in the seventies. He refers to the concept of “policy evolution” and Lowi’s analysis of bureaucratic power to describe developments in job creation policy.62

Pal points to important lines of continuity in the choice of policy instruments used to achieve short-term job creation objectives. The notion of policy choice refers to the capacity of governments to respond with different instruments (taxation, regulation expenditures, public ownership or moral suasion) to achieve a particular goal. The means chosen are important because they involve significantly different policy-making processes that in turn have an impact on policy outputs. Pal adapts the notion of policy choice to account for the introduction and design of job creation programs as a component of federal labour market policy in the seventies and eighties(see table 3, Appendix A).

Pal argues that the policy-making process is dynamic. Policy termination or simple maintenance is rare. A more common characteristic is policy succession:

   by which a previous policy, program or organization is replaced by a ‘new’ one directed at the same program or clientele.63

The reality of policy-making in advanced states ensures that there is rarely anything new introduced. Instead the process is marked by the:

   Replacement of existing programs or policies by new attempts at ‘solving’

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the same problem... or the problems created by previous policies.\textsuperscript{64}

The strategy of succession implies that different instruments or delivery systems can be adapted to achieve roughly the same purpose or permit expansion of clientele and purpose at relatively little cost.

Pal uses this theoretical model to explain developments in federal job creation policy since the turn of the century. While job creation programs were a relatively unattractive option for successive federal governments before and after W.W.II, the programs were re-introduced and expanded during the seventies. While he acknowledges the influence of themes unique to the seventies—including community development and changing notions of work Pal points to the bureaucratic arena as the main arena for policy change.

Pal contrasts developments in job creation policy with the prevailing view of the seventies as a period of fiscal restraint and cutbacks in social programs. He admits developments were often contradictory in terms of spending levels and design, but he argues that there was a ‘semi-autonomous’ logic in place as old programs were replaced by new ones:

\begin{quote}

to the bureaucratic mind dealing technocratically with policy... programs can be considered ‘improvements’ in the sense of better efficiency or increased impact... but the bureaucratic “instinct” is to expand mandates and the means to approach a final effective solution.\textsuperscript{65}
\end{quote}

This implies that branches of the government and the bureaucracy can be insulated from the political pressures usually associated with retreat in social and economic policy.

By tracing historical developments in job creation policy, Pal identifies important threads of continuity, particularly in aspects of program design. Still, there are a number of problems with this analysis. The most obvious is the failure to place policy-making in the broader socio-economic context of the period. The suggestion that the programs ‘evolved’ within the confines of the bureaucratic machinery ignores the forces described in the Huston, Loney and Ng accounts. His argument also avoids dealing with the shift in economic paradigms and the impact of broader economic policy in shaping job creation policy in this

\textsuperscript{64} Ibid.

\textsuperscript{65} L. Pal, “Tools for the Job,” 57.
period. While he mentions the emphasis on the private sector in programs after 1975, there is little attempt to look at the factors that may have influenced these changes.

Pal raises important points about the role of policy legacies and the important lines of continuity and discontinuity in job creation policy. At the same time, his emphasis on the concept of ‘bureaucratic logic’ ignores the broad impact that the overall balance of class forces has on shaping specific policy legacies and welfare state regimes. The work of Esping-Anderson is relevant here. Instead Pal argues against the view of the seventies as a period of retreat in terms of social policy. He does not try to situate developments in job creation in the context of a shift in the overall balance of class forces that characterized this period or the shift in economic paradigms that dominated the period after 1975.

There are some interesting parallels between the analysis here and the work of the early social control writings of Huston and Loney. Most of the analysis looks at policy outputs. There is little attempt to flesh out what the ‘internal logic’ was or how political or economic forces might have shaped it. One still needs to look ‘inside the state’ for a more sophisticated analysis of the ideas and actions of the policy actors themselves.

**Class and Policy Paradigms**

A third approach to understanding developments in job creation policy during the seventies emphasizes changes in the Keynesian economic paradigm and its impact on the direction of labour market and broader economic policies. In Canada the postwar commitment to “high and stable” levels of employment was arguably weaker in comparison to other European countries. Still, Keynesianism represented a considerable re-thinking of the role of the state in the postwar period and an ideological commitment to ensuring high levels of employment. The mid-seventies witnessed an important shift in this paradigm that called into question the state’s role in addressing high levels of unemployment.

In his background paper to the Royal Commission on the Economic Union and Development Prospects for Canada (MacDonald Commission), Leon Muszynski argues that the expansion of training and unemployment insurance programs, together with the introduction of community-based job creation in the late sixties and early seventies, reflected a continued political, as well as, economic commitment to the development of the welfare
state and the use of demand management. This policy direction was modified in the mid-seventies when Canada, along with other western industrialized countries faced rising unemployment, growing public debt and intractable inflation. The new paradigm was tolerant of, and to some extent predicated on, rising unemployment. The result was successive reductions in unemployment insurance and job creation spending and a broader labour market strategy increasingly geared to meeting the specific needs of industry and reducing pressures on wage growth.66

Muszynski situates developments in job creation policy in the context of the expansion of the welfare state that took place between 1965 and 1972. Expenditures were curtailed sharply after 1973. Since that time there has been relatively little progress in welfare legislation. Muszynski argues that this reflects, in part, the changes in the balance of overall class forces. Federal job creation funding reached a peak in the 1972-73 period when unemployment was only 5-6%. By 1982-83 when unemployment was 11%, spending had shrunk to only 32% of the original level. Muszynski argues that the declining emphasis on job creation funding reflected a more general decline in commitment to an active labour market policy. In the mid to late sixties active labour market policy represented an overwhelming consensus between labour and capital. A dramatic shift in economic and social conditions threatened that consensus during the seventies.67

Stephen McBride takes up this argument in an article examining trends in federal and provincial job creation spending. In his analysis of spending trends and the stated priority of job creation, McBride argues that the actual priority of job creation programs has declined since 1975. The rate of unemployment had risen in the same period:

in earlier years job creation expenditure may have represented a real attempt by the government subsidiary policy instruments to restore full employment . . . in the 1980's job creation is symbolic politics.68

The function of the programs changed from that of a “useful adjunct in promoting and

67 Ibid., 299.
maintaining full employment” to:

a means of creating legitimacy for a problem created by other aspects of government policy.\(^{69}\)

In his latest book, *Not Working*, McBride takes this analysis further in his review of the comparative literature on employment policy. While the relative weakness of labour may help explain the low commitment to maintaining high levels of employment, he argues that the key variable has been the government’s lack of commitment to do so. The overall configuration of employment policies reflects a weak commitment to maintaining full employment which is consistent with a liberal welfare state regime. Canada’s policy configuration since 1975, and in particular its macroeconomic strategy, has pointed to inflation as the main policy concern. The result has been a willingness to tolerate higher levels of unemployment. Job creation programs before 1975 reflected an attempt to address unemployment, but after that period spending was decreased and the programs represented more of an effort to look as if the state was ‘doing something about unemployment.’ The role of job creation shifted in the context of a broader macroeconomic strategy that tolerated higher levels of unemployment.\(^{70}\)

Both McBride and Muszynski raise important points about job creation policy in this period. By situating job creation in the context of the government’s overall labour market and macroeconomic strategy, both authors build a powerful argument about the relative emphasis on job creation as a strategy to combat unemployment. Muszynski suggests that job creation has historically been a residual strategy. He places the early development of the program in the context of increased pressure on the state to ‘do something’ about unemployment and meet the demands of a growing youth constituency. While there is less attention paid to the forces described in the Huston, Loney and Ng accounts, there is an attempt to situate the development of job creation in the context of the government’s attempt to develop an active labour market policy in the late sixties. The emphasis on the

\(^{69}\) Ibid.

comparative literature in both of these accounts places job creation policy in the context of a more residual and liberal welfare state.

Still what is missing in both of these accounts is an analysis of the internal workings of the state. The emphasis here, as in the Pal study, is on policy 'outputs' as expenditure accounts and official descriptions of government policy. We still need to understand how tensions to mediate the unemployment crisis were addressed inside the state.

This Study

This review of the literature provides some useful insights into the factors that helped set the stage for the introduction, development and design of job creation programs during the seventies. In the early seventies, job creation programs were clearly (i) a response to rising unemployment and (ii) an attempt to deal with the demands of a number of new political constituencies. The legacy of the programs suggests that they were a subordinate policy, second to other aspects of labour market policy and the government's overall macroeconomic strategy. There were changes in the design and funding of the programs in the mid-seventies that were consistent with broad changes in social and economic policy that reflected a broader shift in the overall balance of class forces.

We still need to understand how these broad economic and political pressures were mediated within the institutional form of the state. Who were the political actors and what did they do? If the balance of class forces shifted in the mid-seventies, how was that transformation mediated within the state? To understand this shift and the impact that it had on job creation programs, we need to return to Nicos Poulantzas' notion of the state as a social relation and a 'contested terrain.' This means that we have to understand how broad class and social forces are mediated within the state.
Chapter Three

Job Creation, Unemployment and Labour Market Policy:
The Historical Legacy

Introduction

This chapter develops the policy legacy of federal job creation programs. The argument developed in the last chapter pointed to the need to understand how broad social and class forces shape specific policy legacies. Despite an overwhelming ideological preference for “work and wages over welfare” successive federal and provincial governments resisted the pressure to build the political infrastructure required to combat high levels of unemployment in the period leading up to W.W.II. While there was a considerable re-thinking of the role of the federal government in ensuring “high and stable levels” of employment during the war years, this commitment was weak relative to other western European countries. The federal government’s approach to economic policy was consistent with the relatively weak role played by organized labour in the postwar period and the essentially liberal philosophy that dominated the development of the Canadian welfare state.

It would be difficult to describe the federal government’s approach to job creation in the postwar period as anything other than symbolic. The Canadian version of Keynesianism fashioned during the war years viewed jobs as a residual strategy, overshadowed by macroeconomic policy and social security. Winter works projects proved to be a visible and essentially political response to rising unemployment during the recession of the late fifties. The programs were never considered to be part of a coordinated attack against unemployment. Before and after the war senior bureaucrats in the Department of Finance and politicians in the Liberal government resisted the government’s role in “creating jobs.” In the late fifties the Conservative government introduced a modest winter works program during the recession that marked the period between 1958 and 1962. The program was cancelled as part of the austerity measures introduced by Trudeau in 1968.
Job Creation and Public Works: The Early Period

While the concept of labour market policy did not emerge until the late fifties and early sixties, public debate over the Canadian state’s role in influencing the demand and supply of labour has a much longer legacy. The relationship between work and welfare and the provision of short-term jobs for the unemployed was central to debates over social welfare before and after W.W.II. The principle of less eligibility implied that persons receiving income assistance should not earn more than lowest paid worker. Early forms of relief administration were tied to the expectation that the “employable” unemployed would be expected to work in exchange for state assistance. Under the British North America Act the provision of relief was considered to be a provincial and local matter. Until the depression relief was administered primarily by private organizations who were committed to ensuring that the “employable” poor would only seek help as a “last resort.”

Unemployment emerged as a major political issue in the late nineteenth century and early twentieth century. Part of the rationale for the National Policy was to “create jobs,” bring Canada out of the depression, and prevent the drift of unemployed workers to the United States. The staples export economy that evolved in this period was particularly vulnerable to high levels of seasonal unemployment. The problem was exacerbated by an immigration policy designed to ensure a large pool of unskilled and cheap labour. Immigration policy was shaped to meet the needs of agrarian and railway interests and the massive labour requirements of settling the West and building two major railways. The result was a tendency towards “oversupply,” particularly during winter months and recessionary periods that hit the staples export sectors where many of these new labourers were

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concentrated.³

Public debate over the efficacy of labour exchanges, unemployment insurance, and public works emerged in the context of the economic slumps in 1913-15 and 1920-25 and the aftermath of W.W.I. The first National Employment Services Commission was established in 1918 as part of a series of reforms associated with postwar reconstruction. As early as 1919, the ESC was investigating the possibility of instituting state-sponsored social insurance and a program of public works to deal with high levels of winter unemployment.⁴ In 1919 the Royal Commission on Industrial Relations advocated expanding public works projects to address high levels of unemployment after W.W.I.⁵ During the 1921 election the Union government led by Arthur Meighen promised to introduce Unemployment Insurance, grants to the province for relief and public works projects and a labour exchange. This policy direction was reversed after the election of the Liberal Party under the leadership of Mackenzie King in 1921.⁶

Public debate over the role of work for relief and public works programs increased dramatically in response to the traumatic impact of the depression in the thirties. Bennett defeated King in 1930 by promising that his government would replace the dole with wages. After two years of experimentation with limited grants-in-aid to the provinces for both direct relief and work projects, the work projects were cancelled. Grants for direct relief were easier to administer and cheaper. In 1932 the government introduced a farm wage subsidy program to try to encourage the transient unemployed to leave the city. In late 1932, Bennett

³ For a good discussion of the early development of state intervention in this area see J. Struthers, No Fault of Their Own: Unemployment and the Canadian Welfare State 1914-1941 (Toronto: University of Toronto Press, 1983) 12-42.
⁵ D. Guest, The Emergence of Social Security (Vancouver: University of British Columbia, 1991) 68.
⁶ J. Struthers, No Fault of Their Own: Unemployment and the Canadian Welfare State 1914-1941, 29-31. Struthers provides a useful account of the Union government’s policy proposals and the reversal by the King government in 1921. The 1921 election produced an agrarian, rather than a working-class political upheaval. While 15% of the labour force was unemployed during most of the election campaign, unemployment was perceived to be an urban problem. The King government’s support was rooted in the more conservative and rural parts of Quebec and Ontario.
centralized the administration of work camps for single, transient men under the Department of National Defence. The overriding mandate for the camps was to preserve the work ethic and prevent agitation from the “red menace” agitators in the urban centres. Critics of the camps criticized the government for low wages and “make-work” nature of the projects.\(^7\)

Despite the government’s election rhetoric advocating jobs for the unemployed, expenditures on public work projects played a relatively minor role under the Bennett administration. The legislation promised $40-million for the construction of a series of federal public works projects such as wharves, post offices and improvements to existing buildings. Praised in the House of Commons as an alternative to relief, the small amount allocated seriously limited its political and/or economic impact.\(^8\) A year later Bennett promised to introduce a system of contributory unemployment insurance as part of his New Deal legislation on the eve of the 1935 election. The escalating tensions in the camps led to a major relief camp strike in BC that culminated in the On-to-Ottawa Trek and the Regina Riot in 1935. By mid-1935 the Bennett administration was completely discredited.\(^9\)

Two points stand out about the legacy of job creation under the Bennett administration. First, while the relief system was poorly organized and heavily criticized, many of the people receiving relief preferred the work programs to direct relief. Receiving direct relief was degrading and humiliating. Working for assistance was less demeaning and allowed people to retain self-respect. This was reflected in the fact that municipalities with strong representation from labour were more likely to support work projects for the unemployed (assuming the municipalities could afford the programs). The main problem with the camps and the relief projects was reluctance by the federal government and other levels of government to pay a decent wage. Instead, allowances were closely tied to relief rates. Despite Bennett’s rhetoric in support of “wages over the dole,” he was unwilling to institute a massive public works and/or relief program that would put the hundreds of

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\(^7\) For a good discussion of the situation in the camps see J. Struthers, *No Fault of Their Own*, 79-84. and 133-135.

\(^8\) *Ibid.*, 118-119.

\(^9\) *Ibid.*, 136-137
unemployed "to work." The creation of jobs was the responsibility of the private sector.

Bennett’s limited attempts to introduce work for relief and public works programs stands in marked contrast to the work programs of the Roosevelt administration in the United States. Both governments launched relief camps in 1933 under the administration of the Department of National Defence. Within two years the American Civilian Conservation Corps was hailed as one of the great successes of the American New Deal. In Canada the camps were almost universally condemned as "slave camps." Part of the problem was the reluctance of the Bennett administration to pay "real wages" for "real work." The DND programs were strictly a means of removing single transients from the cities and providing an alternative to relief. Allowances were closely tied to relief payments to avoid competition with the private sector. The CCC by comparison was aimed at a specific problem—conservation. The target group was young unmarried men between the ages of 18 and 25 years old. The American camps were combined with the Work Progress Administration Act—a massive public works effort that put three million people to work a year on federally run projects. Job creation was still considered an alternative to relief but wages were set at 90% of the prevailing wage rate.¹⁰

King defeated Bennett in 1935 with promises to provide "real work" for the unemployed. Despite his overwhelming majority, King had no intention of making relief a federal responsibility or launching a massive large-scale public works program. Instead he sent Bennett’s New Deal legislation for constitutional review and launched a three man commission to investigate the work camps. The committee recommended closing the camps

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¹⁰ Ibid., 134-135. See also W. Springfield, “Job Creation: The Historical Background,” Part IV in Perspectives on Public Job Creation, R.& D. Monograph, 52 (Washington: US Department of Labour) 111-115; and G. Therborn, Why Are Some People More Unemployed Than Others?, 169. Sweden also relied heavily on job creation programs during the 1930’s. Therborn traces the tradition of relying on relief works projects to the period before the arrival of social democracy. The unemployment discussion in the early thirties distinguished between the “cash line” and the “work line.” The former referred to social assistance and was considered to be the program of “last resort,” Public works projects were universally considered to be morally superior to income assistance. This view was rooted in a strong agrarian work ethic. The debate over unemployment in 1932-33 centred around the wage level and size of public works—not whether or not the state should or should not do something about unemployment.
but left the plight of the single men from the camps with few alternatives after an initial farm wage subsidy program tided them over the summer months.

King’s main initiative in the area of employment policy was to establish the National Employment Commission in 1936. King ruled out any massive public works program on the scale of Roosevelt’s Work Progress Administration Act. The overriding objective was to find ways of saving the federal government money. The interim report of the NEC was released in the fall of 1937. The report claimed that while economic recovery was continuing, the improvement was by-passing the long-term unemployed on relief who were not qualified for the new jobs that were opening up. A large part of the unemployment problem facing the country was structural. This ruled out the need for a massive public works plan, but pointed to the need for long-term programs aimed at increasing the “employability” of those persons on relief. The main proposal of the report centred on the need for a National Employment Service, similar to the labour exchange that King had abandoned in the early twenties.11

The interim report was both cautious and conservative in its proposals. Reform of the relief administration system was designed specifically to counter what was considered to be “generous” relief administration at the local level. “Enhancing” employability through training was perceived to be the only way to get people off the dole without providing public works. The direct provision of jobs would both undermine the work ethic and private incentive to invest.12

The final report of the NEC was released in December 1938. This version went even further in its recommendations for federal responsibility. Members of the Commission were outraged at King’s refusal to entertain any of the proposals in their first report. The economy had worsened considerably since the fall of 1937 and King’s response had only been to introduce more restrictions on the dole and relief.13 In their final report the commissioners recommended that Ottawa take full responsibility for unemployment. The proposals included

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11 J. Struthers, No Fault of Their Own, 164-165.
12 Ibid.
13 Ibid., 176.
a federal unemployment assistance scheme to provide financial aid to the unemployed currently on relief; a contributory unemployment insurance scheme and a public works program. Public works expenditures were still considered secondary to income security measures:

It is of vital importance that the expansion of public expenditures should be timed as to exercise maximum beneficial effect . . . A proper programme for meeting the problem of unemployment, particularly for a country dependent on export trade as is Canada, necessitates, therefore, that the initial burden of unemployment should be borne by Unemployment Insurance and Unemployment Aid.¹⁴

Only after a period of allowing export industries to adjust themselves should the government embark on a program of expansion of public expenditures.

King did not agree with any of these proposals. By 1938 the Liberal Cabinet was deeply divided on the issue of federal responsibility for unemployment and social security. The deepening recession of 1938 forced a reconsideration of a proposal for federal public works. In April the government set up a committee to come up with a series of federal public works projects. The committee recommended that the government fund $70-million worth of projects. A vicious cabinet struggle ensued with King objecting to the recommendations and his Labour Minister, Norman Rogers in support. Many in cabinet were motivated out of a fear of the potential for unrest if the government did not introduce some type of visible response to unemployment. A compromise developed and the government announced that the supplementary estimates would contain an additional $40-million for expenditures on work projects.¹⁵

The amount of money was relatively modest (Bennett committed $40-million for public works projects in 1934), but the announcement marked a significant shift in the types of projects that would be funded. Besides the traditional round of road, wharves and office buildings there was a move to include spending directed at primary industries: $1,310,000 for mining roads; $3-million for tourist highways and national parks; $450,000 for

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¹⁵ J. Struthers, No Fault of Their Own, 137.
restoration of historic sites and $650,000 to develop the fishing industry. Youth training was also expanded from $1-million to $2.5-million.\textsuperscript{16}

Two new pieces of legislation followed that were designed specifically to aid the construction industry. The \textit{Municipal Improvements Assistance Act} provided federal loans directly to municipalities for construction of projects that were expected to pay for themselves over the course of the loan. $30-million in loans were set aside at a rate of 2 per cent interest. The objective was to provide jobs in the construction industry and help municipalities pay for public services which had been neglected over the previous decade. That year the \textit{National Housing Act} was introduced to provide easier terms for federally backed mortgages to prospective home owners and subsidized housing for low income owners. Ottawa offered $30-million at a rate of 2\% interest.

After four years in office, King completely reversed the position he had maintained in public office since the twenties. The Prime Minister had already agreed in principle to support unemployment insurance. He was now in favour of limited federal involvement in the provision of jobs. Reflecting on his changed views King made a relevant comment in his diary in this period:

\begin{quote}
In politics one has to continually deal with situations as they are in light of the conditions as they develop from time to time. The world situation has headed . . . countries . . . more and more in the direction of the extension of state authority and enterprises and I am afraid Canada will not be able to resist the pressure of the tide. The most we can do is to hope to go only sufficiently far with it as to prevent the power of the government passing to those who would go much further . . . and hold the situation where it can be remedied most quickly in future should conditions improve.\textsuperscript{17}
\end{quote}

None of these proposals were designed to challenge the key role that private investment would play in the economy. The private sector was expected to "create jobs." If King was willing to entertain a limited role for public works, it would not take the shape of a massive works program. The public works efforts in 1938 were a response to rising


\textsuperscript{17} King Diary, (April, 1938). Cited in J. Struthers, \textit{No Fault of Their Own}, 191.
unemployment and a reflection, on the part of many members of Cabinet, of the potential for unrest if the government did not introduce some type of visible response to the problem.

Reconstruction Planning: Keynesianism and W.W.II

A number of factors influenced a considerable re-thinking of the state’s responsibility for dealing with unemployment during the war years. The war effort resulted in a major expansion of state activity in the economy involving subsidies to industry, the establishment of Crown corporations and a series of controls over the allocation of key commodities. High levels of employment increased the bargaining power and strength of labour. Union membership doubled. The newly formed CCF experienced its first set of electoral victories and a dramatic increase in support in public opinion polls. Few Canadians questioned the war effort, but many feared a return to depression conditions after the war. These factors, together with the legacy of unemployment and social unrest that had followed W.W.I, made plans for reconstruction after the war a major priority of the wartime administration. Unemployment insurance was passed in 1940, extending contributory insurance coverage to 75% of the workforce.

The theoretical and ideological justification for expanded state intervention was influenced by the writings of John Maynard Keynes. Writing in Britain in the 1930’s, Keynes challenged the conventional wisdom that each country should reduce its spending and cut back its imports in periods of recession. The causes of the depression were not rooted in excessive wages or high levels of spending. Lack of investment, excessive savings and a fall in demand were the key factors associated with high levels of unemployment. Once the downward spiral began, people out of work were unable to buy as much as when they were employed. This resulted in a multiplier effect with even more people being out of work because of the decrease in consumption and overall demand in the economy. Keynes argued that it was possible to retain aspects of capitalism and private ownership and address the problem of cyclical unemployment. He proposed a three tier solution that included some form of state supervision of private investment, redistributive
measures to increase consumption and income controls. Trade unions and higher wages were justified by the need to sustain levels of aggregate demand. In conditions of heavy unemployment the government could use fiscal policy—taxing and spending decisions—to offset the level of private consumption and demand. Spending on social security was rationalized as an "automatic stabilizer" to buoy up demand in periods of high unemployment. Public works and capital projects would also serve a dual function: provide jobs for the unemployed and combat an anticipated shortfall in private investment. Keynes recommended putting government money into investment in such things as roads and power projects and schools and hospitals. These activities would not compete with manufacturer's goods in the market. Governments could manage effective demand in several ways. It was possible to expand the aggregate level of demand when an economic slump threatened and cut it back as the boom began to take force. Governments could influence interest rates by their borrowing and lending policies. They could run their investment programs to balance private investment and they could simply run a deficit or a surplus on their income and expenditures account, spending more than they collected in taxes to offset a slump and collecting more than they spent to steady a boom.18

The ideas of Keynes represented a political, as well as, economic solution to the economic crisis posed by depression. Investment decision-making could be left in the hands of private entrepreneurs in exchange for the adoption of social and economic policies that would provide stable levels of employment and income for wage-earners. The immediate problem would be to provide adequate employment for all of those seeking work:

It is not the ownership of the instruments of production which it is important to assume. It need only put into place an apparatus that can regulate the total amount of spending and on consumer and investment goods.19

Control over the level of unemployment and the distribution of income formed part of the rationale for what has become recognized as the postwar compromise between capital

and labour.20

Michael Kalecki challenged the political nature of this compromise in a prophetic article that was published in 1943. The Polish economist argued that a regime of full employment would alter the balance of power between labour and capital in favour of labour. There were three reasons why industrial leaders would resist such a shift. First, any policy which altered the overall balance of power in favour of labour would threaten business confidence. Second, while there was usually little business opposition to state activities that were aimed at improving profits (protective tariffs, government subsidies) or considered to be “outside” the traditional sphere of the private sector (building highways, schools), there was always the danger that employment-generating projects might threaten the more traditional spheres of the private sector. This would be strongly resisted by capital. Third, business would resist the role that full employment would play in de-commodifying labour and weakening the “discipline” of the workforce:

Discipline in the factories and political stability are more appreciated by the business leaders than (even) profits. Their class instincts tell them that lasting full employment is unsound from their point of view and that unemployment is an integral part of the “normal” capitalist system.21

Early signs of Keynesian influence in Canadian government policy can be traced to the federal budgets of 1938 and 1939 and the recommendations of the National Employment Commission in 1938. Interest in Keynesian economics can be traced to a number of senior officials in the Department of Finance and Reconstruction before and during W.W.II.22 One of the most prominent, W. A. Macintosh became the architect of the particularly Canadian version of Keynesianism that was incorporated in postwar reconstruction planning. Mackintosh was responsible for including a limited version of Keynesianism in the final

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report of the NEC in 1938. The section concluded:

There are sound economic grounds for urging a policy under which public expenditures might be expanded and contracted to offset fluctuations in private expenditures—the goal is to use private investment as a balance wheel . . . government should not violently contract expenditure during the initial downswing of the business cycle . . . instead it should strive for greater public spending combined with unimpaired credit and tax reduction rather than increases during depression.²³

The report marked a sharp reversal of Bennett and King administration's "balanced budget" approach to fiscal policy but retained a particular "staples orientation." Mackintosh argued that national economy was so dependent on staple exports it did not allow the government much room to bring about recovery on its own. If the incomes of its primary producers fell, so would wages. Spending on social insurance and assistance was preferable in this instance to expanding public works.

This was not a large-scale commitment to contra-cyclical budgeting or a massive commitment to public works. As Marsh argued in an article in the Canadian Journal of Political Science and Economics, state expenditures were not intended to "compete with private enterprise." The role of the state was to "entice private capital" into fields "where it had been particularly timid," not to "create work itself."²⁴

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The James Committee

Postwar economic and social policy had its roots in reconstruction planning during the war years. The legacy of postwar unemployment and social unrest that had followed W.W.I inspired the early establishment of two committees to address plans for reconstruction after the war. The General Advisory Committee on Demobilization and Rehabilitation was appointed in 1939 reporting to the Minister of Defence. In 1941 another key advisory body was set up, the Advisory Committee on Reconstruction under the chairmanship of Cyril James and reporting to the Minister of Health. While both committees developed plans for economic and social policy after war, the former dominated government policy arena by 1943.

The James Committee took a broad view of its mandate and reported on matters related to social security and economic affairs. Mindful of the social unrest that had followed W.W.I, the interim report of the committee recommended an expansive role for federal government in dealing with problem of unemployment. An important part of the report's proposals included the establishment of a construction reserve commission:

\[\text{to assemble a shelf of public works projects that would be ready for quick implementation, as needed, to counteract an expected postwar depression.}\]

Federal officials opposed proposals for direct job creation. W. A. Mackintosh, who was now head of the powerful Employment Advisory Committee, argued that public works "should not be given too much place in the total picture." An expanded system of unemployment insurance and unemployment assistance was a more crucial priority. Public works projects were awkward to implement, useful mainly to skilled workers and of less importance to reconversion than was aid to private investment. Critics in the government were adamantly opposed to proposals for any massive system of government sponsored public works. Alternatives, such as providing grants-in-aid to the provinces for public works and other programs, were also rejected:

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The very magnitude of the transfers . . . necessary (would render Ottawa) the puppet of stronger provincial organizations.  

The Report on Social Security by Leonard Marsh, fell to a similar fate. Marsh recommended a comprehensive package of social security reforms covering health, social security and employment programs. In anticipation of a recession after the war, Marsh recommended a $1-billion public investment scheme that would help sustain the economy while industry and agriculture moved toward peacetime equilibrium. The money would be used to help rebuild areas of towns and cities that had been neglected during the previous decade and a half. Marsh was careful to distinguish this plan from the make-work projects of the thirties. The twin objectives would be to provide “real jobs” and stimulate recovery. The best plan for recovery was full employment:

The only basic answer to unemployment is employment—not any task work it is true, but employment carrying a reasonable level of remuneration and reasonably satisfactory working conditions.

The primary engine moving the economy would be private sector investment, but there needed to be provisions for a public investment strategy that would be part of the “grand economic strategy” for the postwar years. A public investment program would have to be combined with the administrative machinery required to coordinate labour market policy. While this aspect of Marsh’s report is generally given little emphasis, The Report on Social Security made a strong case for strengthening the government’s labour market programs, particularly in the area of placement services and training facilities. Placement, training and a plan for full employment needed to be developed in tandem.

The Marsh Report received considerable media coverage but was never tabled in the House of Commons. Instead the report was presented to the Committee on Reconstruction and Rehabilitation. The report was rejected as “too expensive” and “interventionist” by powerful members of the EAC and Cabinet. Of particular concern was the recommendation for a $1-billion public investment scheme. Members of the Liberal caucus and federal

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bureaucracy were unwilling to entertain the comprehensive proposals associated with the Marsh report.28 The primary orientation of the postwar plan taking shape at the EAC was intended to reinforce market forms of distribution in the private sector.

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Economic Advisory Committee on Reconstruction

The prospect of unemployment and economic instability after the war remained a major preoccupation of postwar planners. From mid-1943 on King became increasingly concerned about the rising strength of labour and the electoral strength of the CCF. One in three unions went out on strike in 1943, mainly for union recognition. The government’s wage stabilization orders and wartime restrictions were also at issue.39 The CCF passed the Liberals and Tories in public opinion polls and formed the official opposition in Ontario. These developments had a dramatic impact on the direction and approach to reconstruction planning.30 The parliamentary session of 1944-45 produced legislation dealing with Veteran Affairs, reconstruction, validation of international trade agreements, family allowances, housing, benefits for farmers and budget legislation to ease the transition from wartime to peacetime projects.

With the demise of the James Committee, the responsibility for reconstruction planning shifted to the powerful sub-committee of the EAC under the chairmanship of Mackintosh. Like the James Committee, the EAC assumed that postwar period would be dominated by shortages of consumer goods and labour surpluses following the demobilization of armed forces and war industries after the war. The committee proposed a three tier remedy for dealing with unemployment after the war: government assistance through financial, tax and commercial incentives to stimulate private investment; public works and redistributive social programs. As they had argued in the past, members of the committee expressed strong preference for social assistance and unemployment insurance over a system of massive public works.

In March 1943 the EAC proposed the creation of a National Development Board to handle public investment in the postwar period. While modest in comparison to the James Committee proposal, the recommendation confirmed the view of members of the EAC that

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public works could play a role in reconstruction planning after the war. In June, Howe and other members of the War Cabinet rejected the proposal. The politicians preferred to rely on an expanded system of social security. By late 1943, increased support for expanded social security programs were rationalized as a means of achieving a high and stable level of national income after the war. Bridges, docks and public buildings would be useful, but their impact on the economy was considered less important than government transfer payments that went directly to the consumer. In November 1943 Skelton argued:

 Granted the undesirability of a leaf-raking and monument building programme, the reaction of investors and of business to large-scale government investment in competition with private industry is very likely to defeat the ends of the programme.  

As long as public investment was seen primarily as expanded public works projects, there was a definite limit to what a capitalist government could do without disrupting the private sector.

The fate of the National Development Board proposal reflected a much wider debate that was taking shape about the role of the state in the postwar period. C. D. Howe and other powerful Ministers in King's war cabinet viewed reconstruction planning as the short-term transition required to move from a war to peacetime economy. Some social welfare reform might be desirable, but the objective was to return to "normal" by strengthening the private sector. While the James Committee wanted to go further in their area of social reform and public works, the basic thrust of their proposals assumed that the private sector would play a dominant role in controlling investment in the economy. Social security measures, public works and other government intervention were advocated for the postwar period, but they were peripheral to the primary task of restoring business confidence and investment.  

The view that reconstruction planning should involve a more fundamental shift in the

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relationship between the state and the economy was never part of the official policy discourse. A more social democratic vision of this transition was evident in the writings of individuals such as Leonard Marsh. Writing in 1941, Marsh argued that:

> even though, as individuals, we may regret the passing of the older order of free trade, competition and capitalism . . . the available evidence concerning the impact of industrialism on a democratic-capitalist order of society suggests that the attainment of reasonable economic security for the average individual will demand a large measure of coordination and government control.\(^3\)

The Marsh Report argued in favour of more direct forms of government intervention in the market place. Social security measures would help, but the government also needed to develop a sophisticated series of “public investments.” When the local economy fell behind expected or desired unemployment and growth patterns, public investment would be used to build useful and required projects in an area and thus provide needed jobs.

Even here, however, there was relatively little new in the idea that public works could be used as a counter-cyclical mechanism. In many respects, the activities proposed represented an extension of nineteenth century view of the Canadian state as an active supporter of development. The fate of the National Investment Board proposal reflected the lack of certainty about the role of the state in the postwar period and the uneasiness of key political figures, especially C. D. Howe, who had no intention of having the activities of his department curtailed by another committee dominated by officials from the Bank of Canada and the Department of Finance.\(^4\)

\(^{33}\) Ibid., 304  
\(^{34}\) Ibid., 305-306.
White Paper on Employment and Income 1945

By 1944, public opinion was overwhelmingly in favour of social security and a "better life" after the war. The throne speech the same year stressed the importance of a federal commitment to "full employment" for soldiers returning home after the war. The EAC was dis-banded in 1944 but the committee’s policy proposals informed the 1945 White Paper on Employment and Income and the federal government’s proposals to the 1945 Dominion-Provincial Conference. The White Paper outlined the underlying principles that would govern the federal government’s approach to the postwar economy:

The government will be prepared, in periods when unemployment threatens, to incur deficits and increases in the national debt resulting from its employment and income policy, whether that policy in the circumstances is best applied through increased expenditures or reduced taxation. In periods of buoyant employment and income, budget plans will call for surpluses.

In addition, the government was committed to maintaining a “high and stable” level of employment in the postwar period.

A number of points stand out about the Canadian version of Keynesianism described in the White Paper. C. D. Howe, the Minister Responsible for Reconstruction had the term “full employment” replaced by the less radical (in Howe’s view) concept of “high and stable” levels of employment because he believed that full employment was an impossible goal. The commitment to high levels of unemployment, however, referred primarily to male workers. At the end of the war, the government would engage in an overt policy to encourage married women to leave the labour force.

Successful application of the government’s employment program would depend on the relative health of the country’s export markets and its ability to find new markets overseas. Central to this plan was the encouragement of international trade and of investment by way of imported capital. The result was what Wolfe describes as:

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a uniquely Canadian synthesis of the more general Keynesian theory with the traditional staples approach to Canadian economic development.\(^\text{37}\)

Mackintosh originally made this connection in the 1938 Final Report of the NEC. Commenting on his role in drafting the *White Paper*, Mackintosh made it clear that the report was simply a statement of what had already been done and what could be expected regarding postwar reconstruction:

There was no conscious intention to sell the Government of the day a revolutionary or even novel approach to postwar policy.\(^\text{38}\)

The assumption of what was "now reality" was very different from the King administration's stance during the thirties. According to the *White Paper*, the government was prepared:

in periods when unemployment threatens to incur deficits and increases in national debt resulting from its employment and income policy, whether that policy in the circumstances is best applied through increased expenditures or reduced taxation. In periods of buoyant employment and income, the budget will call for surpluses\(^\text{39}\)

The focus of the *White Paper* was not on social security, as such, but on postwar markets, international trade and the problems of private investment.

Mackintosh rejected the "detailed dogmatism" of the Keynesians who supported a more comprehensive socialization of private investment and a major expansion of public expenditures. The *White Paper* represented:

a realistic recognition of what had become an obligation of every government, not of choice but of necessity . . . (the *White Paper*) was aimed to a large extent at the fear in the popular mind, which also pervaded business circles very widely as the end of the war approached of a return to conditions of 1939.\(^\text{40}\)

The government was committed to "maintaining a high and stable level of employment" within limits of federal system and a staples economy. According to Mackintosh this


\(^{39}\) Department of Reconstruction, *Employment and Income with Special Reference to the Initial Period of Reconstruction* (Ottawa: Government of Canada, 1945).

definition was a deliberate attempt to avoid the "extreme version" of "more jobs than people looking for work" put forward by Beveridge in Britain.41

Members of the EAC assumed that shortages of consumer goods and labour surpluses due to the demobilization of the army and war industries would characterize postwar conditions. Rather than recommend a comprehensive socialization or regulation of investment, the White Paper promised subsidization of private investment: tax concessions, loans, grants and other forms of assistance. Expanded social security programs such as unemployment insurance, pensions and family allowances, would help keep consumption at a high level. If the economy slid into a recession the government would supplement the private sector with public investment and a shelf of public works carefully planned in advance.

The latter strategy was clearly residual. By 1945 neither Howe nor Mackintosh anticipated that a major recession would follow the end of the war.42 Stimulation of private investment would form the cornerstone of any effort to rebuild the economy and influence levels of employment:

The postwar employment problem is not to be solved by huge expenditures on public works ... The problem of the transition is to maintain the level of employment while substituting private for a large part of public expenditure.43

Undue emphasis on measures such as public works could undermine business and consumer confidence. The White Paper was primarily concerned with the transition from a war to a peacetime economy. The architects of the reconstruction plan opposed institutionalizing the broader approach to employment policy envisioned by the Marsh Report.

The White Paper received qualified support from the two opposition leaders in the House of Commons. Caldwell, the leader of CCF was supportive of the commitment to "high levels" of employment, but criticized government for choosing private over public

41 Ibid., 59.
43 Cited in G. Therborn, Why Are Some People More Unemployed Than Others? 112.
investment.

Dominion-Provincial Conference 1945

The *White Paper*'s cautionary view of the role of state-sponsored job creation and public works was reinforced in federal proposals published on the eve of the Dominion-Provincial Conference in August 1945. By 1945-46 widespread fears of postwar depression had mostly evaporated. At the 1945 Dominion-Provincial Conference federal government presented proposals to take over and retain exclusive imposition of personal and corporate taxes and succession duties. In exchange, the federal government was willing to assume responsibility for Unemployment Assistance and a number of other concessions to the provinces.

For public investment generally, the federal government proposed that the planning and timing of grants be made subject to Dominion selection or direction. The paper also proposed a system of managing capital expenditures so that they would contribute to a maximum improvement of stabilization for employment and income. Projects were proposed that involved expenditures to conserve and develop the nation's natural resources, particularly in non-urban areas as a substitute for declining incomes in primary industries. The federal government would extend work in surveying, planning and research and make possible retardation of resource development programs and undertake development and conservation of watershed resources. Grants of up to 20 per cent of project costs were proposed as incentives for provinces willing to submit proposals in advance.

The federal *Green Book* reiterated a strong commitment to free enterprise. Federal proposals for reconstruction included programs to assist the private sector in economic development, fiscal measures to redistribute taxing powers between the federal and provincial governments, income security measures (including unemployment assistance and old age pensions) and a program of public works. Again, however, public works was clearly considered to be a residual strategy, overshadowed in expense and importance by social insurance and macroeconomic policy. The public investment program was aimed at:
providing productive employment . . . when international and other conditions adversely affect employment.  

In announcing the program, St. Laurent noted:

The purpose should not be to find a “cure-all” for unemployment in huge expenditures on public works. The problem is one of devising a sound and consistent program of public improvements which will expand the productive wealth of the community and widen the opportunities for enterprise and employment.  

Projects could be initiated by all levels of government targeting the conservation and development of mineral, forestry, agricultural and fishery resources, the improvement of transportation facilities and the construction of public buildings for general government services or particular government welfare programs. This shelf of public works should be timed to stimulate employment in an economic downturn.

The Collapse of the Shelf of Public Works

Federal-provincial negotiations fell apart at the 1945 conference. The federal government’s modest social security proposals were not enough to persuade provincial governments to concede on the critical issue of fiscal payments and the redistribution of taxing powers. As a result, the federal government’s modest proposal to assume responsibility for unemployment assistance was dropped.

The government did continue with a plan to establish a shelf of $150-million worth of public works projects. The prospect of employing public works was not considered to be a major part of the government’s postwar strategy to deal with employment. By 1947 only $54-million worth of projects were planned and, of this total, $47-million were committed to defence expenditures. In December 1949 the government formally abandoned the idea of maintaining a shelf of public works:

virtually no advanced planning of public works was undertaken specifically

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44 Dominion Provincial Conference on Reconstruction (1945): 45.
for stabilization purposes after 1949.  

The decision, based on the recommendation of a study sponsored by the Department of Trade and Commerce, was not made public at the time.

The collapse of the shelf of public works has been attributed to a number of factors. There were technical problems associated with the projects and demobilization created competing demands on the civil service. There were also problems associated with constructing and initiating projects as the government was forced to compete with the private sector for technical expertise. The lack of support for the programs from officials in the Department of Finance was a major barrier to proceeding with the shelf. Proposals for public works were to originate from the more junior departments of Labour, Agriculture and Public Works. As the Minister Responsible for Reconstruction, Howe had little interest in exercising the power of his Ministry to defend public works. Nor were the provinces intrigued by the possibility of a limited federal public works effort. Commenting in retrospect, Mackintosh described the lack of enthusiasm for the shelf:

the proposed planning and timing of public investment projects . . . had very little appeal to bureaucrats or politicians . . . if public investments is to be used to counter fluctuations in employment, most bureaucrats and politicians must be born again

The early defeat of the shelf of public works needs to be understood in the social, political and economic context of the late 1940s. The war experience had demonstrated that government spending and high levels of economic demand could bring the economy out of the depression. The version of Keynesianism envisioned by reconstruction planners in the EAC viewed public works and state-sponsored job creation as a distinctly residual policy, overshadowed in importance by macro-economic policy and social security payments. Free enterprise and a healthy economy dependent on staples export would be the first line of

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46 R. Will, Canadian Fiscal Policy, 1945-63, Royal Commission Taxation Study #17 (1966): 10
defence against unemployment. The private sector was responsible for creating jobs. The state's role was restricted to the maintenance of purchasing power through transfer payments that went directly to the consumer. This approach ignored Keynes' advice that some control over private investment was a crucial component of economic planning.

One result was a strong bifurcation of policy. One set of proposals stressed efficiency and growth and was considered to form the basis for economic policy. The other set of policies, under the rubric of "social security," were designed to ameliorate the plight of the poor and disadvantaged. This meant that the bulk of social welfare programs was still designed for "people who fall through the cracks." Public works measures, taxation proposals and international agreements were designed to work towards health of the economy. By 1945, however, even social security was increasingly advocated for its economic benefits. In part, this reflected the influence of Keynesian ideas and the ideas of the social reformers during this period. The strong emphasis on macroeconomic policy as the main form of state intervention, however, reflected the strong ideological biases of the dominant players in reconstruction planning.

This separation between economic and social policy created problems for advocates who viewed reconstruction as more than a transitional process. As long as public investment was defined primarily as public works, there were definite limits to how a capitalist government could intervene in the economy without disrupting the private sector. The main thrust of postwar reform involved a blending of social security and macroeconomic policy. Bridges, docks, and public buildings would be useful but their impact on the economy would be dwarfed by potential to be derived from massive government monetary injections directly to the customer.49

There were few pressures on the state to maintain a program of public works to stimulate employment after the war. As Howe and others had anticipated, high levels of unemployment and social unrest did not accompany the end of the war. Instead, the average

49 This discussion of the separation between economic and social policy in reconstruction planning is developed in more detail in D. Owram The Government Generation, 308-311.
unemployment rate in the period leading up to 1949 remained below 3%. Government Ministers claimed publicly that the government was committed to counter-cyclical public investment but argued that the strength of postwar economic recovery precluded the need for a strategy of public works. The postwar compromise and the pledge to ensure “high levels of employment” were rooted in war conditions and fear in the public mind of a return to the conditions that had followed W.W.I. When these conditions did not materialize and the political pressures to deal with unemployment eased, plans for state-sponsored job creation were abandoned.

Plans for reconstruction reflected a general shift in overall balance of class forces in favour of labour, but the commitment to full employment was relatively weak. In 1951 the Liberal government joined the United States in rejecting the United Nation’s recommendation that a full employment target should be set:

The government has no rigid statistical definition of full employment. The level of employment at which special measures should be adopted . . . would depend on the nature of the employment problem and the general economic conditions prevailing at the time . . . Any single national target might overlook the important problem of regional and local employment which may serious even when the national average is low.⁵⁰

Postwar Political Economy

Many of the factors responsible for expansion were rooted in conditions that marked the transformation of the wartime economy. Military build-up and industrial mobilization for the war effort had produced a ready supply of innovative technology and productive capacity that was available to the private sector at relatively low cost after the war. New strategies of capital accumulation encouraged an increasingly sophisticated division of technical and manual labour. Fordism, as the new strategy has been labelled, helped sustain high levels of consumer demand by linking collective bargaining demands to rising productivity. A new set of international trading and financial agreements were created in the immediate postwar period to stabilize international trade and investment under United States hegemony. These agreements coincided with a dramatic shift in Canadian export trade as the country became increasingly dependent on American foreign investment and trade.

The fifties witnessed an important shift in the relative strength of labour and left-wing political parties. Reform during the war years had reflected the growing strength of labour and the rise of the CCF. Newly won collective bargaining rights and relatively high levels of employment contributed to a dramatic rise in union membership in the immediate postwar period. A series of strikes in 1946-47 helped break the pattern of depressed wage settlements that had characterized the depression and the period of war-time controls. The Cold War and the threat of Communism, combined with a series of “purges” within union organizations themselves, contributed to the relative decline in the strength of the labour movement during the fifties. The sudden co-optation of CCF policies by the Liberals at the

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end of the war weakened the electoral threat of left-wing parties.  

These changes in the broader political economy were reflected in the structure of the state and the direction of economic and social policy. The White Paper described a version of Keynesianism that asserted the primacy of fiscal and monetary policy and the strategic role of staple export industries. As the guardian of macro-economic levers, Finance dominated the policy arena and was able to veto proposals from less senior departments. Relative prosperity, economic expansion and the waning threat from the left helped to diminish pressures to deal with unemployment.

Keynesianism continued to occupy centre stage in public debate, but there is little evidence that the management of the aggregates of demand governed the direction of federal policy. As long as the economy was expanding, successive governments were reluctant to employ deficit financing. The government was able to wed relatively orthodox budgetary practices and macroeconomic policy with Keynesian rhetoric. By 1952 the federal government had officially abandoned the Green Book’s proposals for social security reform and officials in the Department of Finance continued to warn against expanding federal responsibility beyond existing provisions for unemployment insurance.

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Boom and Bust: The Fifties

While the postwar period represented a period of relative prosperity for most parts of the country, there was also considerable instability with economic downturns and bouts of unemployment in 1949-50; 1953-54 and 1957-62. This instability reflected the relative health of a resource economy dependent on foreign, primarily American, export trade and investment—role of foreign capital and export markets continued to create problems of controlling patterns of private investment and “booms” and “busts” of resource economy. The federal government responded by trying to seek remedies through regulatory controls, international trade agreements and increased incentives for resource exploration and development. Plans for postwar reconstruction had assumed that the historical pattern of export trade would continue after the war. Instead the traditional trading partners were slow to recover.

An attempt to remedy the situation with the Export Credits Insurance Act in 1944 failed to stem a crisis of foreign exchange that peaked in 1947. The response of the federal government was to try to restructure export trade with the United States through negotiations under the General Agreement on Tariffs and Trade (GATT) and a series of tax incentives for resource exploitation and development in the 1940s. Canadian merchandise exports rose dramatically in the fifties, largely due to a steady increase in the flow of resources from the United States. The growth of the economy and the steady increase of US investment had important effects on fiscal and monetary stabilization policies by the mid-fifties and the concern of policy-makers shifted to rising levels of inflation.

The winter of 1949-50 marked the first major spell of unemployment in the postwar period. Canadian exports declined in late 1949 and early 1950 by about 5%, slowing down the forces of private investment. Between October and February the number of jobless registered with the National Employment Service climbed to 375,600—almost a 50% jump over the previous winter. Unemployment was the dominant issue in political debates during the winter and spring. The 1949 throne speech acknowledged the existence of unemployment but the government concluded that there was little it could do about the problem. Periodic
unemployment was inevitable and a degree of unemployment would always exist. The rise in unemployment was attributed to supply-side market factors, including changes in labour market conditions, seasonal factors, regional differences and international factors. Speaking to members of the House of Commons in 1950, Prime Minister St. Laurent claimed that: "no government in a free country . . . can guarantee full employment." This would involve controlling the weather and/or the allocation and distribution of labour.

By the early fifties the government had renounced the Keynesian view that adjustments in aggregate demand would necessarily remedy high levels of unemployment. Officials in Finance considered economic analysis to be more complicated. Unemployment had both demand and supply sources. The government’s earlier commitment to maintain a “high and stable level of employment” had not considered these non-demand factors. In 1950 the Prime Minister argued:

the national responsibility to which this government is committed is to do all in its power to maintain a high level of employment and income . . . This is a different matter than taking action to meet special local situations when the general level of prosperity is as high as it is in Canada to day.

In the House of Commons opposition members argued that the government’s refusal to act on the problem of unemployment involved a considerable reneging on promises made in the 1945 White Paper and Green Book proposals. Critics rejected the claim that unemployment was the result of non-demand factors and complained that the government was ill-prepared to deal with unemployment or a recession and had not planned for a shelf of public works.

Pockets of unemployment persisted in a number of resource industries throughout this period. The generally buoyant economy and favourable tax rental agreements negotiated after the war meant that the municipalities and provinces were capable of handling the relatively small burden of unemployment. By 1952 the federal government had reversed the

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58 Ibid.
position taken in the 1945 Green Book proposals. St. Laurent advised the Association of Ontario Mayors in 1952 that, “constitutional responsibility for relief and assistance for the unemployed . . . rested with local authorities.”

The political pressure to address unemployment continued unabated. In response to these pressures, the government rushed through a number of ad hoc measures including changes to Unemployment Insurance, agricultural and fish supports and Trans-Canada highway expenditures. The Prime Minister made it clear that state-sponsored job creation or public works would not be a part of a government strategy to combat unemployment. Public works would compete with the private sector for labour, materials and other resources at a time when specific industrial sectors were struggling.

Unemployment was significantly reduced with the onset of the Korean War in 1952. The stimulus of military spending, together with an increase in the demand for strategic natural resources, contributed to a relatively buoyant economy and an increase in foreign investment, mainly from the United States. Unemployment remained below 3% for the duration of the war but another economic slowdown followed the end of the war in 1953-54. The government was again faced with political pressures to deal with unemployment. By March 1954 there were 570,000 persons registered with the National Employment Service as looking for work—an 84% increase over the previous winter. Reports of distress came from across the country. The dramatic plight of the able-bodied unemployed ineligible for unemployment insurance assumed centre stage.

Federal, provincial and local governments continued to refuse aid to the jobless not covered by unemployment insurance. The pressure to deal with unemployment sparked internal debates and divisions within the bureaucracy over the wisdom of enacting unemployment assistance legislation. Arguing in favour of federal responsibility for unemployment assistance, Mitchell Sharp, an official in the Department of Trade and Commerce, claimed that in a period of higher unemployment:

( the government ) . . . would be in a better position to resist pressure to undertake public works of dubious value if it were already meeting . . . the
problem through relief assistance.\textsuperscript{59}

The tactic of public works was firmly rejected. In 1954 the Prime Minister argued:

it would be wasteful and ineffective to undertake a public works program to
deal with unemployment that is fractional in nature or even highly seasonal.\textsuperscript{60}

The Minister of Public Works confirmed this position. He concluded that the initiation of a
shelf of public works was not a useful plan at this time. Government-sponsored work
projects would compete with the private sector for personnel, skilled labour and materials.

\textsuperscript{59} Cited in J. Struthers, "Shadows of the Thirties," 17.
\textsuperscript{60} Cited in R. Campbell, \textit{The Grand Illusion}, 107.
**Why Wait For Spring? Do it Now!**

Officials in the postwar bureaucracy remained divided over the relative advantages of introducing some form of public works projects to address the perennial problem of seasonal unemployment. In the late forties the Department of Labour initiated work on a proposal for a limited winter works program. Officials in the department viewed rising levels of winter unemployment to be an inherent part of the Canadian economy. A number of research papers were commissioned on the problem of seasonal unemployment in 1947-48. These papers argued in favour of a limited winter works program that would help to lower the rate of unemployment during the winter months.\(^{61}\)

In a speech before a conference on public employment in 1949, the deputy minister of the department recommended a government plan to sponsor work for people during the winter months that would not require a change in residence or be considered work relief. The rationale for a winter works program rested on the “costs” of unemployment that could be eliminated in terms of lost production, relief payments and social unrest. The overall burden of dealing with unemployment should rest with private industry, but the government could provide seasonal work for people without moving them. A plan for public works would not necessarily fall into the category of work for relief. Instead the emphasis would be on increasing employment in the construction trades. The Department of Finance argued vehemently against these proposals when they were finally brought to Cabinet and no further action was taken.

Instead the Department of Labour embarked on a public education campaign to publicize the “costs” of winter unemployment and the advantages of having work completed during the winter months. The Unemployment Insurance Commission organized a similar promotion campaign with the assistance of locally formed committees. The emphasis on local committees reflected the assumption that action to combat unemployment was best taken at the local level. By 1954 the efforts of the UIC and the Department of Labour merged under

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a campaign entitled, “Why Wait For Spring? Do It Now!” Television provided a new medium for publicizing the advantages of construction work carried out in the winter months. In response to rising levels of unemployment the same year, the federal Cabinet issued a directive to all departments and government agencies to arrange projects involving construction work, alterations, repair and maintenance to create the maximum levels of unemployment during the winter months.

The steady growth of the Canadian economy and an increase in US investment began to have important effects on the government’s macroeconomic strategy by the mid-fifties. Sustained economic expansion had coincided with a steady rise in the rate of inflation. The government’s response was to shift stabilization policies increasingly away from a concern related to unemployment to this persistent drift towards inflation. Officials in Finance were reluctant to apply major tax and expenditure levers of fiscal policy to counteract the anticipated economic downturn for fear of aggravating inflation. In 1954 the Bank of Canada began to rely on a policy of restricting the amount of investment funds through credit controls and restraints on the money supply. The result was a serious credit squeeze. In 1956 the decline in the rate of inflation coincided with the first major recession since the depression and war years. The softening of export markets for resource industries, cutbacks in domestic capital investment and a weakening of consumer demand contributed to the economic downturn.62

The Departments of Labour, Finance and UIC remained divided as to how or whether the government should expand unemployment assistance or introduce a program of public works. During the winter of 1955 Cabinet issued a directive to all departments to arrange projects to create maximum employment during the winter months. The memorandum targetted construction work, alterations, repairs and maintenance work. Faced with mounting pressure to deal with the growing ranks of unemployed, the government passed the Unemployment Assistance Act in 1956. In 1957 a number of initiatives were taken to ease

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62 Ibid., 68.
public pressure and maintain consumer demand in a period of rising unemployment: old age security payments and family allowances were raised and new loan arrangements were made to facilitate housing construction. The same year the unadjusted unemployment rate for the last quarter was twice what it had been the year before.63

**Municipal Winter Works Initiatives**

The beginning of the recession renewed debate on the role of state-sponsored job creation. In the winter of 1957-58 the federal government announced a program to provide provincial governments with financial assistance for the development of forest access roads and provincial parks. Rising levels of unemployment and inflation coincided with the prospect of a spring election in 1958. The Conservatives had succeeded in narrowly defeating the Liberal administration earlier the same year. While the Conservatives continued to blame the weakening economic situation on the previous administration, the government insisted that the unemployment problem was only “temporary.” Speaking in 1957, the Minister of Labour, Michael Starr, assured his audience that:

> there is hardly an economist or student who does not feel that this situation is temporary and that given breathing space the natural buoyancy of the economy will reassert itself.64

The government’s optimism was not shared by the media or other groups concerned about the unemployed. Newspapers carried reports of rising unemployment and the hardships experienced by persons unable to find work. The International Union of Electrical and Radio Workers requested that unemployment should be classified as a “national emergency.” The number of references to unemployment in the House of Commons increased from only nine in the period from January to April 1957 to seventy in the period from October 1956 to February 1958.65

Concerned with the federal deficit and reluctant to embark on an expansionary

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63 Ibid.
64 Cited in *ibid.*, 20.
65 Ibid.
program to combat rising unemployment, the government seized on a number of proposals for work incentives developed earlier in the Department of Labour. A winter works program would enhance the public education campaign embarked on earlier:

we in the Labour Department and the UIC who had been associated with the Winter Works program for many years felt that little more could be accomplished by this type of program (public education) . . . local UIC officials needed something new to stimulate voluntary programs of various kinds.66

On March 27, 1958, the Minister of Labour announced that, if re-elected his government would call a conference on the problem of seasonal unemployment later the same year. The Conservatives were returned with a sizable majority that considerably diminished the challenges posed by the parliamentary opposition. The government could not, however, ignore the growing problem of unemployment. Shortly after the election the Minister announced a National Winter Works Conference for July. At the conference, representatives from business, labour and various provincial and federal departments endorsed the government’s proposal for a municipal winter work incentives program.

Officials in the Ministry of Labour went on to draft a proposal for consideration by members of Cabinet. The prospect of developing work incentives was not new. The idea could be traced to the 1938 recommendations of the National Employment Commission which included a proposal to replace welfare with “meaningful work” in the municipalities and to the Municipal Improvements Assistance Act passed the same year. In their rationale to Cabinet, Labour officials stressed that the programs would be creating work of a “lasting nature” that could lead to an individual being employed rather than collecting welfare. The program could provide a tangible support for the winter works publicity campaign and be part of a permanent remedy for seasonal unemployment. The federal share of the Unemployment Insurance fund could also benefit from the anticipated reduction in demand for benefits paid under the insurance program. By financing projects by way of municipal governments, the government could avoid allegations of favouring one industrial sector, the

66 Ibid., 21.
construction industry, over others experiencing financial difficulties during the recession.

Opposition to the program came from officials in the Department of Finance. Members of the department insisted that the unemployment problem was temporary and that fiscal levers were a more appropriate means of dealing with the problem. Economic improvement might be slow and unemployment could be expected to remain high during the winter of 1958-59. The public, however, was used to a relatively low rate of inflation during the years of rapid development and could be expected to be less critical of a high rate of unemployment. Officials in Finance were also concerned that state-sponsored job creation would subsidize employment that was considered the domain of the private sector.67

The arguments of the Labour Ministry triumphed. The Prime Minister announced a program two days later that bore close resemblance to the original Labour Department proposals. No legislation was involved. Instead, provincial governments were invited to participate in a program designed to encourage municipalities to take on work in the winter months. The decision to fund the program with provincial approval reflected considerations of federal-provincial jurisdiction and the view that provinces would be more likely to contribute additional dollars to a program that they administered. The provinces had to approve municipal participation and would be responsible for the administration of federal funds. The federal government would provide 50% of wages on the projects carried out in the winter months. This figure was based on the federal contribution required under the 1956 Unemployment Assistance Act. Project activities included minor construction, road repairs and sidewalk construction. The detailed administration of the program rested with the provincial governments which were responsible for approving winter works projects proposed by municipalities and for auditing the subsequent claims.

All ten provinces agreed to participate. Only three did not make additional financial contributions to the program. By agreeing to take part in the program, most of the provinces deferred to municipal pressures intent on securing funds to offset welfare expenditures during

67 Ibid.
the winter months. Debate over the appropriations bill in the House of Commons solicited a number of concerns, not the least of which was the allegation that the government was using the program to sidestep the larger issues of rising unemployment and inflation. Critics continued to point to the fact that only a small percentage of the unemployed were able to take advantage of the program. Despite the relatively harsh critique it received in the House of Commons, the appropriations bill received all-party support. As one MP argued, “I am going to vote for this $15 million because I know how necessary it is. Nevertheless it is a pittance.” It was difficult not to support an initiative that would “do something” about the unemployment problem.

From the outset administrative problems plagued the Municipal Winter Works Incentives Program. That the proposals were rushed through parliament continued to haunt administrators within the Department of Labour. There were problems with the type of projects targeted (many were not suitable for winter conditions); the timing of proposals and concerns that the degree of financial accountability varied from province to province. By 1960-61 most municipalities had begun to anticipate continued funding. The same year the number of applications more than tripled. As the program continued to be approved on an annual basis, municipal governments became increasingly interested in using the program to relieve their welfare loads. In the House of Commons the program was a source of considerable debate. The opposition argued that the program was designed to address the problems of only a small percentage of unemployed and the period of employment was too short. Municipalities were still left to shoulder close to 70 to 80% (depending on the level of provincial contribution) of the costs. Three factors contributed to the program’s demise in 1968: a return to relative prosperity, changes in the government’s labour market strategy and the austerity program initiated by the Liberal government.

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68 Ibid., 43.
69 Ibid., 58-61.
Job Creation and Manpower Policy

The economy entered a boom period in 1963 that was spurred on by an increase in exports in the auto and energy industries and expansionary policies in the US associated with the domestic war on poverty and the war in Vietnam. The annual rate of increase of Gross National Expenditure averaged between 5% and 6% during the mid-sixties. Federal revenues increased from $7,323-million in 1963 to $15,523-million in 1970. The Pearson administration announced its War on Poverty in 1965 and followed with legislation for the Canada/Quebec Pension Plan, the Canada Assistance Plan, the Medical Health Insurance Act and cost-shared funding for post-secondary education. By 1966 unemployment fell to a low of 3.6%—less than a percentage point higher that the full employment rate of 3% defined by the Economic Council of Canada. As pressures to deal with unemployment eased, the government again shifted its attention to rising levels of inflation.

These developments coincided with a considerable re-thinking of the role of labour market policy and the state’s efforts to deal with unemployment. Throughout the fifties, federal policy-makers were increasingly skeptical of both neo-classical and Keynesian prescriptions of labour market activity. Labour markets were not perfect and demand management alone could not ensure full employment. The term structural unemployment referred to an imbalance between supply and demand that stemmed from barriers to employment such as lack of information, skills and/or regional disparities.

Officials in the Department of Labour had discussed the prospect of introducing some form of “manpower policy” as early as the late fifties. In the early sixties the Organisation for Economic Co-operation and Development was encouraging its members to consider introducing some form of “active labour market policy.” The first two annual reviews of the Economic Council of Canada provided the rationale for a set of labour market policies

71 See G. Therborn, Why Some People Are More Unemployed Than Others? 93. According to Therborn, the concept of labour market policy was a post-war Swedish invention promoted by trade union economists Gosta Rehn and Rudolph Meidner and “exported” to the OECD when Rehn held a senior position at the OECD secretariat.
which were eventually introduced under the auspices of the Department of Manpower and Immigration in 1966. Manpower policy was described as a "mid-range supply-side tool" that could augment macro-Keynesian approaches to demand management and address concerns related to economic growth, competitiveness and productivity. The emphasis was on developing a manpower training policy which could reduce the extent of upward pressure on wages and other costs by altering the characteristics of labour supply to match demand. It could also reduce bottlenecks in the labour market by promoting mobility.\textsuperscript{72}

Part of rationale for the development of a new supply-side tool to address unemployment was the rediscovery of poverty in the early and mid-sixties. Policy-makers were concerned about the persistence of "pockets" of unemployment in the context of a period of relative prosperity. The growth in federal revenues in the 1960s created the means for a general increase in federal spending in social policy. In Canada and the US the persistence of poverty was viewed as both an enigma and a challenge. In both countries there was renewed debate on the role of state in addressing problems related to eliminating poverty and narrowing the gap between rich and poor. income distribution. Several reports were issued documenting the extent of poverty and the disproportionate impact that it had on particular groups and regions.\textsuperscript{73}

While interest in labour market policy did not stem directly from the government's interest in anti-poverty measures, the prospect of attacking unemployment through regional development incentives and training measures to improve human capital was an important part of this debate. Labour market policy represented the possibility of achieving a broad consensus between representatives of both labour and capital while meeting the objectives of growth, stabilization and equity.\textsuperscript{74} A new Department of Manpower and Immigration was


\textsuperscript{74} See L. Muszynski, "The Politics of Labour Market Policy," 300.
established in 1966. The department took over responsibility for immigration, training and the placement services previously associated with the Unemployment Insurance Commission. There was a new array of programs introduced to deal with the improved allocation of labour including: job placement mobility grants, adjustment assistance for laid-off workers, manpower consultative committees and training programs.  

While the department considered its mandate to be in the area of economic policy, the supply-side emphasis of the department’s programs meant that the department was responsible for a mix of economic and broader social objectives. The new manpower strategy would stress the “efficient” use of labour resources and the need to train for a skilled technical labour force. One result was a dramatic increase in federal spending on training from $50 million in 1966 to $300 million in 1971.  

Rethinking Winter Works

The responsibility for the MWWI program was transferred from the Department of Labour to the new department of Manpower and Immigration in 1966.77 Formerly referred to as a program to stimulate seasonal unemployment, the program was now considered part of a series of “employment stabilization” instruments to be used by governments even in periods of relatively high unemployment. Critics in the Department of Finance continued to question the rationale for the program in a period of relatively high employment. Close and Burns describe the concerns of Finance:

if the program could not be discontinued at (a) time when unemployment was particularly low, then it could never be cancelled.78

The real danger was that a “temporary” winter works program was becoming a permanent fixture of federal employment policy.

Officials in Finance were not the only people questioning the role of job creation in a period of high employment. On August 10, 1966, Jean Marchand, the new Minister responsible for the program, submitted a memo to Cabinet indicating that the department was willing to cancel the program and have the money transferred into training. When this proposal was turned down, the department countered with another suggesting that the money in the program should be allocated to the areas of highest unemployment. The prospect of targeting the program was unacceptable to members of the Liberal caucus.79

In another letter to the Minister of Municipal Affairs for BC on August 10, 1967, Marchand argued that poor municipalities were using the program to access federal and

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77 The winter works program was initially transferred to the Department of Citizenship and Immigration as part of the government reorganization announced in December 1965. This department disappeared after Parliament approved the new Department of Manpower and Immigration in 1966.
79 NAC RG 118 ACC 77-78/103 Box 47 File 29-1, Pt. 16. Canada Manpower Division, Municipal Winter Program General and Administration Memorandum to Cabinet from Jean Marchand, Minister Citizenship and Immigration Re: MWWI, August 10, 1966. The offer to cancel the MWWI program was made in response to a request from all departments to reduce their spending estimates for 1967-68. Marchand claimed that no reduction was possible in the department’s main programs (including the employment service, adult training, manpower mobility). The “least damaging” reduction would be MWWI. The program was an “inefficient method of reducing winter unemployment.”
provincial funds to finance highly labour intensive projects that were of “little lasting
benefit.” Wealthier municipalities were in a better position to take advantage of the program,
but generally had lower levels of unemployment. Several changes were recommended
including the elimination of “make-work” aspects of the program, enriching the federal
contributions to poorer areas and lowering the federal contribution to wealthier communities
by 25%. The program was finally cancelled during an austerity program initiated by the newly
elected Trudeau government in 1968. Trudeau announced the cancellation of the program
on August 30.

the amount of useful and constructive work now available to be carried out
under the program has been decreasing . . . the tendency of the program to
involve “make-work” activities has always created problems and it has proven
increasingly difficult to control this undesirable feature of the program.

The program was replaced by a $10-million winter training program. The winter works
program’s critics in Cabinet, Treasury Board and Finance anticipated that there would be
little protest against the decision to dismantle the program. In fact, public protest was muted.
The Canadian Federation of Mayors were the only group outside of the Department of
Manpower and Immigration to protest the demise of the program.

The MWWI program was approved on an annual basis from 1958 to 1968, but the
program remained a relatively minor part of the federal government’s overall strategy to
address unemployment throughout this period. Total dollars spent on the program ranged
from a low of $6,464,000 in 1958 to a high of $41,102,000 in 1965-66. Funds were reduced
sharply in the period after 1966. The allocation for the final year of the program in 1967-68
was $25,774 in 1967-68. These expenditures were minor in comparison to expenditures on
income compensation and training programs for the same period. As well, the number of

80 NAC RG 118 ACC 77-78/ 103. Box 47. File 29-1. Pt. 15. Municipal Winter Works General and
Administration. Letter to Daniel Campbell, BC Minister of Municipal Affairs, August 10, 1967.
participants employed by the programs was low relative to the total number of people unemployed and seeking work.

The winter works initiatives bore little resemblance to the comprehensive "socialization of investment" envisioned by Keynes, the National Investment Board proposed by the James Committee or the limited shelf of public works included in the 1945 *Green Book* proposals. Officials in the Department of Labour had originally proposed the program to address high levels of unemployment during the winter months—a problem many in the department considered to be an inherent part of the Canadian economy. In 1958 the program was introduced by a Conservative government intent on winning electoral support and avoiding further pressures to address rising levels of unemployment and inflation. A decade later the program was cancelled with relative ease. Changes in the economy, low levels of unemployment and a shift in supply-side labour market initiatives ensured that there were few pressures on the state to maintain the program.
Inflation and Unemployment 1968-69

The economic boom that presided over most of the sixties was sharply curtailed at the end of the decade. Increased unemployment reflected a dramatic increase in the labour force participation of young people and women and the impact of government policy aimed at battling inflation. As the economy continued to expand and employment reached full employment in the mid-sixties, officials in the Department of Finance became increasingly preoccupied with the upward pressure on wages caused by the wage militancy of organized labour and rising inflation. Membership in the organized labour movement increased by more than 500,000 in the period after 1964, largely due to the extension of collective bargaining rights to the federal public service. Labour’s increased strength reflected this new sense of strength in numbers. The expansion of the economy released a number of pent-up demands that had accumulated during the recession in 1957-62. One result was a dramatic increase in the level of strike activity in the period from 1966 to 1969. Labour’s share of the national income, which had been climbing steadily since 1963, hit a high of 72.8% in 1970.83

The combination of positive levels of growth and full employment was perceived by many federal economic policy makers as increasing inflation. Inflation went from 1.8% in 1964 to 4% in 1968. To address the problem of rising inflation the government applied a more restrictive monetary and fiscal policy in 1966 and 1967. By late 1967, however, officials in Finance were concerned that this restrictive macroeconomic strategy was not achieving the intended results. The rate of GNP was curtailed but inflation and unemployment continued to rise. Policy-makers considered this to be a new type of cost-push inflation.84

The work of British economist A. W. Phillips provided justification for this view.

83 S. Jamieson, Industrial Relations in Canada (Toronto: MacMillan, 1973) 96-101 and D. Wolfe, “The State and Economic Policy in Canada, 1968-75,” L. Panitch, The Canadian State: Political Economy and Political Power (Toronto: University of Toronto, 1977) 265 and 287. Wolfe points out that this new wave of labour militancy was largely concentrated in a few principal sectors such as the construction industry, railways and other segments of the transportation sector and part of the public sector which had just been granted collective bargaining rights.

Phillips detected a statistical relationship between unemployment and inflation that was affected by the relative strength of labour in a situation of full employment. In periods of full employment the balance of power in collective bargaining shifted toward trade unions. Business was likely to concede to demands for higher wages under pressure from unions in a high demand economy. If wage demands exceeded increased productivity inflation would result. This analysis suggested to policy-makers that it was possible to trade off levels of unemployment and inflation. With the establishment of unemployment insurance and the welfare state the economy could easily tolerate higher rates of unemployment to combat inflation.85

The appeal of Phillips' thesis to federal policy-makers was significant for a number of reasons. As McBride points out in Not Working, the notion of a trade-off and "sliding scale" had the effect of making the concept and goal of full employment less focused. Policy-makers could choose from a range of levels to try to minimize the effects of both inflation and unemployment. Second, these ideas provided a political rationale for demoting full employment from the primary or dominant role of macroeconomic policy. While it could be argued that full employment had never, in fact, achieved that status in the postwar period, there was still strong popular sentiment in favour of policies designed to increase employment. Third, Phillips' theory challenged the Keynesian view that trade unions played a positive role in the economy. Trade unions could be blamed for making excessive wage demands and thereby increasing inflation and setting the stage for government intervention that would effectively increase levels of unemployment.86

In 1968 the federal government released a White Paper on Price and Incomes Stability and announced the formation of a Price and Incomes Commission to investigate "the causes, processes and consequences" of inflation. Part of the PIC's mandate was to seek accommodation between conflicting business and labour interests on the question of

managing the economy and inflation. The experiment ended in failure, largely due to organized labour’s rejection of any attempt to curb wage pressures. In February 1969 business leaders agreed to a voluntary curb on prices but Labour refused to comply with the Commission’s voluntary guideline of a 6% wage and salary increase. Most collective agreements signed during the year exceeded the Commission’s guidelines.\(^{87}\)

In 1968 and 1969 the government combined its efforts to secure a voluntary incomes policy with a macroeconomic strategy designed to slow economic growth and lower inflation. The budgets introduced in 1968, 1969 and 1970 were highly restrictive. The government’s economic policy-makers understood the impact that this strategy would have on unemployment. In December 1969 Trudeau defended the government’s economic strategy with a “get tough” speech aimed at his critics.\(^{88}\) The trade-off was between inflation caused by prices and wages and unemployment. The Deputy Minister of Finance rationalized these actions:

> We have to demonstrate . . . to the strongly organized unions and to the strong business firms that they cannot count on public policy giving a continuing preference to full employment over price stability . . . Indeed what seems to me to be at stake is whether the basic full employment policy that evolved after the Depression and the War can be made to work without exploding, in the economic environment of the latter third of this century in which powerful organized interests contend with each other in highly developed and sophisticated markets in most of the developed industrial world. It is in these terms, I suggest, that one can and does find the justification for the economic and social costs of the restraint program.\(^{89}\)

Lowering inflation and changing the pattern of wage and price behaviour was sufficient justification for a program that could raise the social costs associated with higher levels of unemployment.

The combination of voluntary price controls and macroeconomic policy resulted in

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a significant reduction in the rate of increase in the Consumer Price Index by the winter of 1968-69. As predicted this decrease in inflation was at the expense of increased unemployment and a decrease in the rate of economic growth. The problem was exacerbated by the unanticipated effect the government’s tight money policy had on reducing the rate of growth of the money supply and increasing Canadian interest rates. The more visible “political” problem for the Liberals, however, was the impact the anti-inflation strategy had on unemployment. A new debate over the government’s role in creating short-term jobs emerged in the fall and winter months of 1969-70.
The Pendulum Swings

Throughout most of the early months of 1970 the government was under attack for its handling of the economy and willingness to battle inflation at the expense of rising unemployment. The immediate response of the government was to stand firm and resist calls for government intervention. As the winter progressed, however, members of the Liberal Cabinet pressured the Prime Minister and his Finance Minister, Edgar Benson, to end the restraint program and shift the government’s attention to the development of a social policy agenda for the upcoming election. Inflation was still the main preoccupation of the government during the first quarter of 1970. By March monetary controls at the Bank of Canada were eased considerably and the Finance Department eased its controls over fiscal policy.\(^{90}\)

In the House of Commons the Minister of Finance rejected repeated calls from the opposition to reinstate the MWWI program that had been cancelled the previous winter. Instead, the government increased spending on technical training, regional development incentives and capital loans to the provinces. In October Benson asked Parliament to approve an additional expenditure of $60-million:

- to be directed very specifically to the alleviation of unemployment where the conditions are the most severe: $20-million to extend manpower training programs; $25-million for special employment creating capital projects and $25-million to be used to employ men for a variety of operations and maintenance tasks which need doing but which departments had been asked to postpone.\(^{91}\)

The collapse of the voluntary restraint program formed the background for Benson’s second budget on December 3. In a dramatic reversal of the position he had maintained until March, the Finance Minister argued that unemployment was the number one problem facing the government. This budget included plans for a $150-million long-term loan fund to help the provinces fund job-creating projects in 1972-73. Another $23-million would be used for


capital projects in areas of exceptionally high unemployment to supplement the $60-million from October. Quebec and British Columbia were expected to receive the largest proportion of funds. Unemployment benefits were increased by 10% in anticipation of new legislation planned to take effect the following year. The Finance Minister announced that there were also plans to extend the regional development incentives program.\(^2\) There were no reductions to corporate or personal income taxes announced. According to Benson, the government's employment measures were designed to stimulate the economy while having a minimal impact on prices. Reaction to the Finance Minister's budget announcement was mixed. Most of the criticism focused on the government's failure to introduce tax cuts. The Canadian Labour Congress accused the government of giving up on any chance of reducing unemployment during the winter months.

Fifteen months after the Trudeau government announced the cancellation of the MWWI program, the Trudeau Liberals were again considering policies to stimulate the economy and create work. The voluntary restraint program of the PIC was discredited and the high social (and political) costs of restrictive fiscal and monetary policy ruled that strategy out as a means of combatting inflation. There was still speculation that the government might adopt selective controls but for the moment wage and price controls were not considered an option. The government remained opposed to the idea of introducing another winter works program. At the same time, the announcement of regional development incentives and job creation funds to the provinces was strongly reminiscent of the work activities that had been targetted under the MWWI and the short-term programs that had been sponsored in 1938. Unlike the MWWI, these new initiatives were announced in the context of a more expansive macroeconomic strategy designed to stimulate employment. As happened in the past, however, the factors which helped to set the stage for these initiatives were both political and economic. Faced with the prospect of a pending election, members of the Liberal Cabinet were eager to shake the image of a government willing to battle

\(^2\) Ibid., 410-411.
inflation at the cost of unemployment.

With the benefit of hindsight, it is possible to trace many of the factors that would characterize the economic crisis of the mid-seventies to this earlier period. The contradictions between the demand management concerns of traditional Keynesian macroeconomic policy and the particular export orientation of the Canadian strategy were evident in the recession of 1958-62 and the emerging battle over inflation in 1968-70.

**Job Creation: The Policy Legacy**

A number of points stand out in this historical review of job creation policy as a strategy to address unemployment. It would be difficult to ignore the role that broader socio-economic conditions and political pressures, including the overall balance of class forces played in influencing the approach to labour market and job creation policy before and after W.W.II. A number of factors helped set the stage for policy during the war years: the growing strength and militancy of labour; the electoral gains of the CCF; fear of social unrest after the war and the overwhelming weight of public opinion that demanded a “better world” after the war. A return to relative prosperity, the electoral defeat of the CCF and the impact of the Cold War on the labour movement had a dramatic impact on the direction of reform after the war. The postwar welfare state was shaped by liberal democratic ideals designed to maintain the dominance and discipline of the private market. Plans for the “shelf of public works” were put aside along with other major proposals for social reform. Interest in federally-sponsored job creation was only re-kindled during the political and economic crisis of the late fifties.

While there is a long legacy of public debate over the efficacy of relief work programs and public works, there is relatively little evidence that these programs were more than a residual strategy in federal efforts to address unemployment before or after W.W.II. During the depression neither Bennett nor King were enamoured with the prospect of introducing work programs for the unemployed. Direct relief was less expensive and easier to administer. The limited public works plans that were introduced under Bennett in 1934
and under King in 1938 were never considered to be a major attack against unemployment. The reluctance to provide "work" over "relief" stands in direct contrast to the experience in the United States and other countries such as Sweden. There were constitutional issues at stake, particularly in terms of the federal government's resistance to assuming responsibility for unemployment. The overriding concern of both the Bennett and King administrations, however, was an ideological resistance to the state's involvement in the direct provision of jobs.

There is evidence to suggest that this view was shared by the officials and politicians who were responsibility for shaping the particularly Canadian version of Keynesianism that would dominate postwar planning. The commitment to "ensuring high and stable levels of employment" after the war was premised on the view that the Canadian economy would continue to be dominated by staples export trade. There was an explicit rejection of the role that Keynes had anticipated for a broader form of public investment. Public works programs were considered to be "of little value" in the overall plan for recovery. At the same time, the emphasis placed on private recovery in an open international trading environment introduced an "important element of instability" into the implementation of the postwar compromise. The collapse of the "shelf of public works" in the immediate postwar period reflected the fact that the anticipated recession and social unrest that had been anticipated after the war did not take place. As political pressures eased, it was not difficult to "drop" a program that had not inspired senior officials or politicians.

The Municipal Winter Works Incentive Program was introduced, in part, to deal with the immediate effects of the recession in 1957-62. Clearly the proposal was drafted by officials at the Department of Labour and was finally approved over the objections of officials at Finance. While it is impossible to divorce the introduction of the program from the political and social context of the period, it also proved to be a program that was difficult to cancel. While it was hardly Keynesian in design, it did represent a political and visible response to rising unemployment in the period from 1958-62. The new rationale for a supply-side labour market policy and the shift in emphasis to training meant that the program
would have few advocates inside the government by the mid-sixties. As unemployment eased senior officials in the new Department of Manpower and Immigration were willing to "give up" the program as part of Trudeau's austerity drive.

Yet within a year, the government was again forced to debate the prospect of a new round of job creation programs. At first Finance was successful in overriding the opposition's demands for a new round of municipal winter works. The Liberals were already considering various demand-side initiatives during the winter of 1969-70. By the end of 1970 the government had moved full circle in its battle against unemployment and inflation. Canada was not alone in applying stimulative economic policies in this period. The Liberal's brief experience with restraint and an attempt to impose voluntary controls provided the government with a number of useful lessons. First, macroeconomic levers were perceived to be limited in their ability to address rising unemployment and inflation. At the same time, the government's limited experience with wage and price controls suggested that it would be almost impossible to negotiate a program without the support of organized labour. The political fall-out of fighting an anti-inflation program at the expense of unemployment was considered too high a price to pay in a pre-election period.

This review of the policy legacy is consistent with the liberal welfare regime that Esping-Anderson and the discussion of class-state relations in the work of Mahon and Wolfe. Job creation was an essentially residual strategy that was shaped by political pressures 'to do something' in periods of high unemployment. It was not considered to be a major component of labour market policy in 1966 and was cancelled easily in 1968. Within three years the federal government would "tack on" a new series of job creation programs that promised "meaningful work" and "community betterment." The genesis for the design of these programs was rooted in the legacy of a number of participation initiatives introduced during Trudeau's first term in office. The emphasis on young people and 'new and innovative' services reflected the changing 'politics' of unemployment that would emerge in this period.
Chapter Four
Meaningful Work and Community Betterment
OFY 1971-73

Introduction
A new debate over the role of job creation emerged in the early seventies. The economic boom that characterized most of the sixties slowed down considerably by the end of the decade. The sharp rise in unemployment in the winters of 1968-69 and 1969-70 reflected the impact of the federal government policies to control inflation and a dramatic increase in the labour force participation of young people and women. Concerned with the prospect of an upcoming federal election, members of the Liberal Cabinet persuaded the Prime Minister and his Finance Minister to direct the government's attention to the problem of unemployment. In 1971 the Liberals introduced two new job creation programs that were designed to promote 'meaningful work' and projects that promoted 'community betterment'. OFY was introduced in the spring of 1971 to provide work for unemployed students. In the fall LIP was introduced as part of a series of more traditional measures to address winter unemployment.

This chapter examines the policy legacy of citizen participation and the factors that influenced the introduction and development of OFY in the period from 1971 to 1973. As was the case in the past, the factors that helped set the stage for OFY were both political and economic: increased public concern over unemployment, the prospect of a pending federal election and the fears of the potential for unrest, particularly among young people and militant separatists in Quebec. The design of the program, however, reflected the the Liberal government's efforts to mediate tensions related to rising youth unemployment and the demands of a new generation of social activists.
Policy Legacy: Citizen Participation

The genesis for the design of OFY and LIP can be traced to a number of programs that were introduced in the mid to late sixties to promote citizen participation. Official interest in the concept of citizen participation emerged in North America in the late fifties and early sixties in the context of the rediscovery of poverty. Promoting participation and community development was considered to be an ‘innovative’ technique to address the persistence of pockets of poverty in the period of relative prosperity. The main emphasis was on helping marginalized groups get organized and participate in ‘solving’ the problems that faced their communities.¹ The Kennedy and Johnson administrations linked the concepts of community action and participation to plans for the War on Poverty programs in the United States in 1963-64. The following year Liberal administration of Lester Pearson announced the establishment of a Special Secretariat to coordinate the federal government’s efforts in this area. In 1965 the Pearson administration established a Special Secretariat to coordinate the federal government’s efforts in this area. The Secretariat was announced in the same speech as the Canadian version of the War on Poverty. The Pearson government also introduced the Company of Young Canadians to provide volunteers and resources for community development projects that would involve young people on projects to promote social and economic development. A year later community development initiatives were included in the list of programs that the government would cost-share with the provincial governments under the Canada Assistance Plan.²

² A. Armitage, Social Welfare in Canada (Toronto: McLelland and Stewart, 1978) 70. The community development provisions in the Canada Assistance Plan were designed to encourage more ‘innovative’ programming at the provincial level. This section of the legislation, however, was never considered to be a high priority of provincial governments who were responsible for initiating projects and providing 50% of the costs.
While there is evidence that some of the key policy actors behind the Canadian War on Poverty initiatives were influenced by American programs, the approach to community development and participation in the Canadian anti-poverty programs was considerably more ad hoc and modest. The difference can be explained in part by the fact there was a lower level of urban and racial tension here and the main emphasis of the Canadian War on Poverty programs was on income security rather than large-scale job experience programs. There were also jurisdictional difficulties inherent in federal efforts to change programs that fell under provincial jurisdiction.³

Efforts to promote citizen participation developed a different direction and momentum under the Trudeau administration in 1968 and 1969. Trudeau won the election with the first Liberal majority in fifteen years. During the election campaign he linked the concept of 'participatory democracy' to the promise of a 'Just Society'. While the definition of the term was vague, the slogan was described as an effort to capitalize on the 'youthful momentum' that he had developed during the election campaign. In his first year of office papers were commissioned to examine how the government could better involve MPs and the general public in decision-making.⁴ As the restraint program began to ease in 1969, the government introduced a number of programs that were designed to provide funds directly to organizations that represented the interests of marginalized groups.⁵ New programs to promote participation were established at the Canada Mortgage and Housing Corporation (CMHC), National Health and Welfare (NHW), the Department of Secretary of State, the Department of Indian and Northern Affairs and the Department of Regional Economic Expansion. Funds were made available to community groups to act as advocates and to develop 'alternative' services for their constituencies.

It is difficult to divorce these developments in policy and Trudeau’s interest in participation from the social and political turmoil that characterized the late sixties. The politicization of the new social movements that emerged in this period can be attributed to a number of factors: the relative affluence of the period, the collapse of the Cold War, the emergence of the New Left and the dramatic increase in the number of students entering university campuses. This activism took many forms including organizing against the War in Viet Nam, student organizing on campuses, urban reform campaigns, the rise of separatism in Quebec and demands for ‘new’ and ‘alternative’ services. There was also a dramatic increase in the number of organizations representing marginalized groups ranging from native people, women and students to tenants in working-class neighbourhoods.

While the new social activism was based on an analysis of power and unequal status, the ideological differences between radicals and reformers in these movements was often blurred. Community action was a vehicle for promoting democratic social change and the call for greater democratization was part of a more general critique of the bureaucratization and professionalization of the postwar welfare state. Traditional services to the poor and other marginalized groups were criticized for their paternalism and for reinforcing rather than challenging the social order.

The emphasis on participation in many of the new federal initiatives was also designed to appeal to young people who were active in the new social movements. As the baby boom generation reached their teens and early twenties, their increase in numbers coincided with the emergence of an articulate and organized student movement that became a visible political constituency in the late sixties. Only a minority of this generation were involved with political activities but the actions of this group had a major impact on the

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6 The concept of ‘participatory democracy’, for example, was coined by the American Students for a Democratic Society at their Port Huron conference in 1964. The term became a powerful slogan in the United States and Canada in the mid-sixties. The Liberal Party’s other slogan, “Power to Everyone” was a take-off on “Power to the People” that was the rallying cry of the Black Panthers.

The student movement was already associated with an analysis of social problems that focused on the impact of broader socio-economic conditions in the early sixties. Widespread youth alienation and unrest appeared to have international dimensions by 1967-68. The same year there were major demonstrations at McGill and occupations followed at Simon Fraser and Sir George Williams in 1968 and 1969. In October 1968 student occupations closed down the majority of CEGEPs and universities in Quebec.

While the documented histories of this period tend to focus on the activities of student activists, the political impact of this generation was much wider spread. The social transformation reflected the impact of a wide range of influences that distinguished this generation from their parents: scientific developments in birth control and the sexual revolution, new developments in music and pop culture, changes in the role of women and the nuclear family, and the increased availability of 'recreational' drugs such as marijuana. According to the Report of the Committee on Youth, more than 200,000 young people were travelling across the country in 1967. Within a year the Mayors of most of the larger municipalities had set up task forces and commissions to examine the 'problem' of youth. A new generation of young workers were also having an impact on the organized labour movement.

There were similar developments at the federal level. Within weeks of his election win Trudeau announced that Gerard Pelletier would be assuming a role in Cabinet as the Minister of Youth. Pelletier was a close colleague and friend of the Prime Minister. His was considered to be on the 'left' in the Liberal Cabinet and had a long history in the

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10 B. Palmer, *Working Class Experience: Rethinking the History of Canadian Labour* (Toronto: McLelland & Stewart, 1992) 314. At the height of university enrollment less than 20% of the population aged 18-24 were students.
Catholic youth movement in Quebec. He was also assigned the Cabinet portfolio of Secretary of State, the department that would take a leadership role in the promotion of ‘participation’ during the government’s first term in office. In 1969 the government announced major studies on problems ranging from drug use to the problem of youth transiency. The same year Pelletier announced the formation of a Committee on Youth that would examine “the aspirations, actions and needs of youth” and “the role of the government in this area.”

Citizen Participation and Youth: CYC and NHW Demonstration Grants

The links between the federal government’s interest in citizen participation, the new social activism and tensions associated with emergence of an organized youth constituency can best be illustrated by examining the two programs that became the forerunners to OFY and LIP. The Company of Young Canadians was introduced under the Pearson administration in April 1965. Three years later the Trudeau government introduced a series of initiatives under the Department of National Health and Welfare Demonstration projects that were expected to promote the development of ‘new’ and ‘innovative’ programs developed and administered by young people. that proved to be the forerunners to OFY and LIP.
The Company of Young Canadians 1965-69

The CYC was the federal government’s first major program to court a youth constituency. The Pearson government announced plans for the Company during the April 1965 throne speech that launched the War on Poverty. In 1966 legislation enshrined the company as an autonomous Crown corporation governed by a Council of 15 members. The mandate of the company was to provide funds and volunteers to established organizations and community projects to promote community development and social change.

The history of the Company of Young Canadians has been well documented. The origin of the company remains unclear, but the notion of introducing a youth initiative based on community development principles has been traced to the influence of Tom Kent and others in the Prime Minister’s Office who viewed the program as an opportunity to court a political constituency for the Liberal party and to tie young people to the government’s War on Poverty program. Daly traces this view to:

Liberal policy-makers’ infatuation with New Frontier politics, plus their keenness to plug into youth without having any real idea of how to do so.

Whatever the motivation, it is clear that the establishment of the Company was not a response to an imminent social crisis or the direct lobbying of youth groups. The launching of the program sparked considerable debate within the Student Union for Peace Action (SUPA), one of the main youth organizations courted to participate in the program. In 1965 SUPA was already involved with five community development projects in BC, Saskatchewan, Ontario, and Quebec. Many activists with the organization were opposed

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13 See R. Best, “Youth Policy,” 138; M. Daly, The Revolution Game, 8.
14 Ibid.
15 See R. Harris, Democracy in Kingston, 56-57 Harris provides a history of SUPA’s Kingston project. He argues that student movement’s interest in community organizing can be traced to December 1964 when members of the Combined Universities Campaign for Nuclear Disarmament, the predecessor to SUPA, decided to form the new organization. The new organization was expected to address a broader range of concerns and develop an overall political strategy for social change. The location of the CYC projects was confirmed in a
to getting involved with the government-sponsored CYC. There were concerns that
government involvement would restrict the type of organizing activities that would be
considered “legitimate.” Others argued that the CYC was an opportunity to use government
funds to finance “social change.” The resources would be available to support a more
massive effort to organize in local communities. The latter argument held sway as a number
of SUPA’s more prominent leaders became active with the CYC. 16

Despite its relatively modest budget, the Company was the target of acrimonious
debate in the media and House of Commons. The main source of controversy was the role
of the Company and its mandate to promote social change. This issue was of considerable
dispute both within the Company and between members of the Company and its political
sponsors. Daly describes the two camps:

proponents of government-sponsored “social work” in the community with
the disadvantaged versus others who viewed community work as a means of
organizing the poor and other marginalized groups as agents for more
fundamental transformation and social change.17

Advocates of a more activist stance for the company were strongly influenced by the SUPA
representatives who sat on the organizing committee. The Draft Aims and Principles that
were adopted in 1966 reflected this broader social vision:

We are struck by the conditions of the modern world the existence of poverty
and plenty, justice . . . the Company will support projects which will
hopefully help to alleviate the causes of problems and will not simply
“bandage” a symptom.18

The organizing activities of the Company were expected to promote the “meaningful

16 M. Kostash, Long Way Home, 5. According to Kostash’s account, by 1967 the CYC had absorbed most of
SUPA’s “Toronto-based leadership in staff or consultants’ jobs, had hired half its project workers into its own
volunteer groups, and had linked up with most of SUPA’s extant projects. By the end of 1967 SUPA was dead
and the chance to mature politically was forfeited.”.
17 M. Daly, Revolution Game, 18-25.
18 “Draft Statement of Aims and Principles of the Company of Young Canadians, Adopted by the Provisional
participation of people in democratic processes."^19

While the organizing rhetoric of the activists from SUPA was incorporated in the official mission of the CYC, the political debate over the role of the Company and its mandate to promote social change remained the subject of considerable interpretation. Not all of the problems facing the company were of the politicians' making. Various reports on the Company's history point to problems related to the company's ill-defined structure and chaotic administration; the lack of training and support for volunteers; and the internecine warfare between staff, volunteers and members of the governing council.^20 The funding of counterculture projects bred considerable animosity with established organizations. The image of long-haired hippies and radicals dominated media coverage of the company, but these projects represented a relatively small part of the work.^21

As political tensions heated up in the late sixties, many of the CYC volunteers became active with the new social movements, participating in a range of political activities including the anti-war movement and the separatist movement in Quebec. Liberal Cabinet members and MPs were not enamoured with the profile of the Company's more activist members. These tensions were described in a study by Ben Lappin in 1969:

The desire of the Canadian government to encourage participation at the grassroots is matched by its apprehension about the people who are animating the neighbourhood population. The recent fervour over the CYC reflects this ambivalence, for the basic problem that emerged was not so much the adequacy of the CYC's performance as the uneasiness with which leaders in and out of government responded to the left-wing postures adopted by some of its members.^22

^19 Ibid.
^20 See M. Daly, Revolution Game; I. Brown, The Children's Crusade: The Story of the Company of Young Canadians; Committee on Youth, Its Your Turn, chapter vi. This assessment of the CYC has also been confirmed in interviews with a number of key informants from the period.
^21 Committee on Youth, Its Your Turn, 105-11. See also R. Best, "Distributive-constituent Policy and Its Impact on Federal-Provincial Relations: The Case of OFY and LIP," (Ottawa: Carleton University, MA Thesis, 1973) 34.
Federal politicians considered disbanding the company on several occasions but did not do so largely to "save face."\textsuperscript{23}

The high degree of politicization of the Company in Quebec remained problematic. The political situation in that province was volatile in 1969. Declining investment, the so-called "flight of capital" and the combination of heavy taxes and high unemployment created the backdrop for political and social unrest. During the year there were several bombing incidents involving federal buildings in Montreal. Student activists joined with other groups intent on criticizing actions of the municipal administration as they tried to "clamp down" on the perceived disorder.\textsuperscript{24}

In an effort to divert criticism levelled at the municipal administration’s handling of a police strike and a shortage of affordable housing, the Chair of the Executive Committee of the City of Montreal, Lucien Saulnier, launched an attack against members of the CYC in the fall of 1969.\textsuperscript{25} In a radio address in October he announced that "subversive activities in Quebec were supported by the Government of Canada through the CYC." Within days the provincial Minister of Labour, Rémi Paul, also accused CYC members of promoting anarchy and linked "certain Cuban elements" to Quebec terrorism. By October 20, Mayors in over twelve other Quebec cities joined in demands that the federal government stop all federal funds.\textsuperscript{26}

This political pressure had an immediate impact on the activities of the Company. On October 18 the governing council of the CYC declared in a public statement that:

Because the objectives of the CYC are to assist the powerless and voiceless to participate fully in society, it is inevitable that, in the course of their employment, Company personnel will on occasion find themselves in conflict with particular political, social and economic structures. Such conflicts are acceptable as long as they are in legitimate pursuance of the goals of a

\textsuperscript{23} Committee on Youth, \textit{Its Your Turn}, 110.


\textsuperscript{25} Committee on Youth, \textit{Its Your Turn}, 110-111.

particular CYC project.27

Four days later the Minister responsible for the CYC, Gérard Pelletier, informed the House of Commons that a parliamentary committee would be established to look into the activities of the CYC. At the hearings in November, representatives of Montreal’s municipal authorities drew close connections between the CYC volunteers and the actions of more radical and revolutionary groups. The political fall-out from the hearings resulted in a major tightening of the CYC’s administration.28

28 P. Stevens and J. Saywell, “Parliament and Politics,” Canadian Annual Review of Politics and Public Affairs (1969) 43-45; Committee on Youth, It’s Your Turn (Ottawa: Department of Secretary of State, 1972) 108-109. The restructured CYC had a considerably reduced profile. In February 1970 the Company had 33 projects including fourteen in Quebec (eleven of those projects started in 1969), eight in Ontario, four in BC, two in Alberta and one each in Saskatchewan, Manitoba, the Northwest Territories and the Maritimes. The average duration of projects was 22 months. Activities ranged from work in daycare centres to projects dealing with adult education, drug addiction, low income groups and work with native people.
**NHW Demonstration Grants**

While a political storm was brewing over the future of the CYC, a new program promoting the participation of young people was introduced under the rubric of National Health and Welfare Demonstration Grants in 1968. The National Welfare grants program was first introduced under the Tories in 1962 to encourage the development of new approaches to social welfare programming. Initially grants were made available on a cost-shared basis with the provinces. In 1966 the program was changed to encourage the development of demonstration projects. The federal government would provide 100% of the funding for grants within an overall provincial allocation to each province under a Welfare Services Plan. In 1969 the welfare grant program were amended again to allow the federal government to work directly with organizations who wanted to undertake new projects.  

The emphasis on direct funding to community organizations reflected the view prevalent among several senior officials at NHW that the provinces were not taking adequate advantage of provisions under the NHW Grants Program and Canada Assistance Plan to promote "new" and "innovative" services. The $700,000 Welfare Demonstrations Grant program made grants available to groups, largely of young people to establish community services such as drug crisis and community drop-in centres. The loose eligibility criteria for the program stressed the role that participation, experimentation and education would have to play in the development of new projects.

While modest in comparison to other NHW funding programs, the welfare demonstration grants program proved to be a skilful means of getting around jurisdictional barriers. The intent was to prod the provinces and municipalities to make more imaginative use of the funds available under the Canada Assistance Plan by encouraging local groups to organize and apply for funds and by developing the new services as "pilot projects." The demonstration grants program funded a total of 15 projects in 1969, including a series of

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high profile projects that were concentrated in the larger centres. Vancouver’s Cool-Aid project provided aid to transient young people in need of food, drug counselling and/or a place “to crash.” Similar projects were established in Toronto and Halifax. In Ontario the programs funded included a daycare centre, a project providing services to the “mentally impaired,” the Yorkville Diggers (a drop-in centre for transient young people in Toronto) and the Mayor’s Committee on Youth in Ottawa.  

If the NHW program did not have the CYC’s more explicit vision of social change, the implicit mandate was to find ways to “open up government.” What Gwyn described in a Saturday Night article as “government as Alinsky” was referred to by one of the bureaucrats as “an attempt to show people how to make the system work for them.” The program received a glowing review from the Committee on Youth in its final report:

The Welfare Demonstration Program is sound in concept and administration . . . Perhaps the most important aspect is that fact that the program puts participatory democracy into practice by encouraging citizens to get together to initiate and carry out new programs in response to developing needs.  

As was the case with the CYC, however, there were political limits to the level of dissent that would be tolerated. Part of the problem stemmed from the fact that groups were being funded to challenge the status quo in local communities. This was particularly the case with welfare rights projects. There was an implicit assumption in the program that these groups should be encouraged to organize and “stand up” for their rights. Armitage describes the general pattern:

As was to be expected, the welfare rights groups organized protests, “sat-in” in welfare offices, published newsletters, sought publicity in the press, and generally tried to influence public assistance programs by harassing and cajoling local and provincial

31 NHW, Inventory of NHW Welfare Demonstration Grants Projects 1964-76. At least three of the fifteen projects funded in 1969 under the NHW program were involved with the CYC including the Yorkville Diggers, Cool-Aid and Vancouver Inner City.

32 Ibid.

33 See Committee on Youth, It’s Your Turn 152 and S. Gwyn, “The Great Ottawa Grant Boom,” 11-12.
The use of confrontation strategies resulted in considerable criticism of the program by local municipal officials and representatives of more established organizations. The experience of the CYC and NHW Demonstration Grants program provides an important backdrop for the new job creation programs introduced in the early seventies. It is difficult to divorce either initiative from the social and political context of the period. Both programs were bureaucratic initiatives that did not reflect the direct demands of lobbying groups. The formation of the CYC, in particular, sparked considerable debate within SUPA and other groups as to whether or not activists should participate in the program. At the same time, both CYC and the NHW reflected an attempt to mediate broad social and political tensions related to the new social activism, youth alienation and demands for 'new' and 'alternative' services.

The impact on the work of the programs on activities of new social movements revealed a number of important contradictions. There was more money available to do ‘good work’ in the community. At the same time, there was a growing debate about concerns about the impact that state funding was having in terms of restricting the actions of activists and their organizations. The government was willing to fund social action but there were concrete limits to the extent to which they would tolerate dissent, especially attacks against the Liberal party at the local or national level. Andrew Armitage describes the cycle of events that often prevailed:

A. Armitage, Social Welfare in Canada 70.

34 The Globe and Mail (December 9, 1971). Quoted in M. Loney, “The Politics of Citizen Participation,” 466. The only group to ever lose its funding under the Welfare Demonstration grants program was a Welfare Rights Group from John Munro’s own constituency in Hamilton, Ontario. The Minister described the government’s rationale for terminating the project in a newspaper interview in 1969: “the continuing alienation of the larger Hamilton population by the use of militant tactics and radical rhetoric will only cause the city’s low income residents to lose public support for the progressive reforms which they require and for which they have called on urgently . . . Confrontation tactics by people on welfare do not work, they alienate Canadians who are asked to support those who are less fortunate than themselves.”
A welfare rights group would be formed on a voluntary, unsupported basis. The group would receive advice from one of either the CYC, the Department of Secretary of State or National Health and Welfare. A grant would be provided to the group so that it could rent an office, prepare a newsletter and pay an organizer and its members' out-of-pocket expenses. The group would become more vocal, visible and stronger. It would attract media interest. The group would be critical of social welfare authorities and organize pickets, "sit-ins," confrontations, etc. The local welfare authority's complaints at this treatment would be expressed through bureaucratic and political channels. The granting agency would be under considerable pressure to curb the group's militancy and yield to pressure and change the conditions attached to the grant. The protest group would split into a moderate funded group and a more militant fundless faction.

Part of the problem was the liberal definition of participation that was implicit in the design of both programs. Organizing the poor and disenfranchised was endorsed as an ideal, but there was no corresponding analysis or commitment to challenging the overall distribution of power.

At the same time, there was a certain duality to the programs. Ng's concept of a compromise is attractive in this context. If there were political limits to the dissent that would be tolerated, there was also an explicit admission that "all was not well" with the welfare state. The emphasis on alternative services reflected demands for greater participation on the part of groups representing marginalized interests. State intervention in this context both shaped and was shaped by the actions of these new political constituencies. The state's ability to mediate these tensions was made possible by healthy federal revenues and the expectation of an expanding economy. The grant boom that took place between 1970 and 1972 had just begun.

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Prelude to OFY: The Summer of Discontent 1970

This review of the history of CYC and the NHW Demonstration projects provides an important backdrop to the introduction of OFY in the spring of 1971. Early discussions of the need for a youth program that would provide jobs and activities for young people can be traced to the spring and fall of 1970. Social tensions related to youth alienation, unemployment and unrest escalated in the spring of 1970. Five students were killed at Kent State University in the United States in May. The event received considerable media coverage in Canada. The same month a group of women demonstrators chained themselves to the House of Commons to protest the government's inaction on the subject of decriminalizing abortion.

To make matters worse, the impact of the economic recession meant that there would be fewer jobs for students during the summer months. Reports from Manpower and Immigration anticipated a dramatic increase in the number of students looking for work.\(^{37}\)

To try and offset the problem, the Minister of Secretary of State and Youth, Gerard Pelletier introduced a $28-million Summer Student Employment Assistance package that included funding for a travel and exchange program, hostels and public service employment. He also persuaded his Cabinet colleagues to turn over the armouries in major cities for use as hostels.

Despite these measures, the summer of 1970 proved to be a difficult one. Unemployment was high and there were record numbers of young people travelling across the country. A series of widespread demonstrations took place in major urban centres. There was a near-riot in Regina and in Vancouver a demonstration to legalize marijuana broke into a riot. At the end of September a number of young people refused to leave the armouries in Vancouver, drawing widespread media coverage. In October a "real crisis" emerged with the kidnapping of the Senior British Trade Commissioner, James Cross, in Montreal and the killing of Pierre Laporte, the Quebec Minister of Labour, by members of a cell of the Front

\(^{37}\) S. Gwyn, "The Great Ottawa Grant Boom," 23.
de Liberation du Quebec (FLQ). On October 14 Trudeau declared a state of emergency under the War Measures Act.
Its Your Turn

Pelletier received a draft copy of the Committee on Youth report the same day the War Measures Act was declared. The report, entitled *Its Your Turn*, was not available publicly until 1972 but Cabinet members received a draft copy stamped “secret” in October 1970.\(^{38}\) The report offered little solace to policy-makers. High levels of youth unemployment would continue into the next decade. The report cautioned against considering young people as a separate class, but confirmed that there was a sense of widespread alienation among this generation. The government needed to channel the energies of young people into useful and viable work. Young people wanted to work, but they were interested in “meaningful work”—not just *any* employment. The Committee was critical of the efforts of governments and established organizations to deal with the so-called “youth problem,” and, in particular, the government’s handling of the CYC. The NHW demonstration grants were applauded as an example of a program that involved young people directly in “meaningful work.” Community development, social animation and participation were recurring themes in the text.

The section dealing with unemployment was revealing. Much of it was based on a report by Fred Lazar and Arthur Donner, two economists commissioned by the Committee to complete a study on youth unemployment.\(^{39}\) Lazar and Donner argued against the conventional wisdom that the increased labour force participation of young people was a sufficient explanation for the high levels of unemployment amongst this group:

> High unemployment rates among the young cannot be explained as simply the product of either the postwar baby boom or the present recession: they are a permanent feature of the North American economic environment. Indeed the unemployment rates of males 14 to 24 are currently just below the postwar highs reached during the recession in 1958. In only 3 of the past 17 years has the unemployment rate of males 14 to 19 years been below 10%. Similarly,

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38 S. Gwyn, “The Great Ottawa Grant Boom,” 23.
for teenage females, and males 20 to 24, their unemployment rates have been below 7% in only three years since 1958.\(^{40}\)

The variations between the youth unemployment rate and the national unemployment rate had increased during the latter part of the sixties and reflected a more general deterioration of the employment prospects of this age group. There were also distinct regional differences in the employment opportunities for this age group.

Special job training programs and other stop-gap promotional schemes would be of limited value unless the economy provided sufficient overall demand for labour. The government also needed to look at the structural aspects of youth unemployment. The remedy was both demand and supply-side:

the demonstrated twenty year pattern of disproportionately high unemployment among youth rests not in the high numbers of young people, but rather the functioning of the economic system and the specific behaviour of youth in the labour market. Moreover the present rate of youth unemployment will continue for at least the next ten years and possibly for a much longer time.\(^{41}\)

\(^{40}\) Ibid., 6.

\(^{41}\) Committee on Youth, *Its Your Turn* 4.
Plans for Summer 1971: The Interdepartmental Committee

The impact of the October crisis, together with the prospect of another "summer of discontent," helped set the stage for the planning of a new round of student programs for the summer of 1971. In November 1970 the federal government established two interdepartmental committees consisting of deputy ministers and senior officials to study the youth problem and develop imaginative proposals for a federal youth program for the following summer. The decision to set up the committees can be traced to discussions at the Cabinet Committee on Federal-Provincial Relations and subsequent discussions between the Prime Minister and the clerk of Privy Council.\(^2\) Six departments were represented on each committee, including officials from National Health and Welfare, Secretary of State, Manpower and Immigration, National Defence, the Privy Council Office and Treasury Board.

The senior civil servant committee was responsible for drawing up proposals. The official mandate of the committee was to consider the long-run alternatives to summer student unemployment and plan an employment program for the summer of 1971. The emphasis was on imaginative and innovative proposals. The cost of the proposals was not an issue according to the member of Treasury Board on the committee.\(^3\) In mid-November the committee sent a memorandum to a number of federal departments soliciting proposals for a 1971 summer program for students. The committee already had a number of proposals to consider, including the recommendations of the draft Committee on Youth Report.

Most of the proposals submitted for the 1971 program outlined plans to expand public service employment during the summer months.\(^4\) A notable exception was a proposal submitted in December by two young civil servants from National Health and Welfare. The NHW proposal outlined a program to fund projects developed and organized by young

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\(^3\) Ibid.
\(^4\) Ibid., 63.
people. The proposal was critical of traditional programs to employ young people:

many students wind up spending their summer months in federal offices doing nothing that is meaningful or significant to them. They are working in a bureaucracy that they neither understand nor find it possible to participate in. They see around them disorder and confusion in terms of work purposes. They leave at the end of the summer distrustful, disillusioned and very possibly in more explosive moods of contempt than those who hit the road for the summer.45

The Youth Opportunities Program would allocate $12-million to encourage student summer employment: $10-million through traditional service agencies (such as the YMCA, CMHA and Red Cross Society) and $2-million for student-initiated projects.46

The proposal from NHW was a re-worked version of a proposal that Cam Mackie and Stuart Goodings had drafted when they were still employed as staff members with the CYC in 1968. Mackie and Goodings had been with CYC from its inception in 1965. Goodings was the Acting Director of the Company in 1968. As staff members with the company, both men were having serious misgivings about the future effectiveness of the CYC in 1968. They still considered it possible to capitalize on what they considered to be the positive aspects of the company—the emphasis on direct youth participation and community development principles. Their proposal recommended that $1-million in funds be set aside for projects that young people would develop and manage themselves during the summer months.47

The first Youth Opportunities proposal failed to garner any support in 1968. Mackie later moved to the bureaucracy at NHW and developed a summer program out of his office at NHW Demonstration Grants. Instead of hiring students to work at the NHW Headquarters in Ottawa, the department hired them to work on pilot projects and alternative services that were developed and managed by students in different communities during the summer of

46 Ibid.
1970. This strategy was consistent with the approach adopted in the NHW Welfare Demonstration Grants Program. In November 1970 Mackie worked with three other young civil servants, Bill Clement, Robert Andras and Chris Gill to overhaul the original Youth Opportunities proposal. The intent was to develop a similar proposal, on a national scale, for the summer of 1971. The key to success would be to have young people work on projects that they designed, developed and managed.48

The senior officials on the committee were not enthused with the prospect of a large-scale national program that turned federal funds directly over to young people. When it became clear that the proposal was stalled at the senior official level, Mackie and Goodings met privately with Charles Caccia, a Toronto Member of Parliament and the Parliamentary Assistant for Manpower and Immigration, who agreed to take the proposal directly to sympathetic members in Cabinet. The Ministers, in turn, “prodded” members of the civil servant committee to reconsider the proposal.49 The senior officials were still cautious. The name was changed to Opportunities for Youth and the overall allocation was reduced to $5-million: $2-million would be channelled through traditional organizations, $2-million for new citizen groups and $1-million to students directly. At the deputy minister committee level another proviso was added by the Deputy Minister from Treasury Board, Al Johnson. If the $5-million for OFY was not spent by April 30, the remaining funds would be added to the regular public service student employment programs.50

The role that the more established organizations would play in the program was the subject of considerable controversy. At the committee level, Mackie and others from NHW were adamant that the majority of OFY funds should be made available to “new and emerging” organizations and individual youth. They were suspicious of the willingness of

48 Ibid. Also interview with Cam Mackie, February 1993.
49 Ibid.
the larger organizations to work "with" youth. Organizations such as the Red Cross and YMCA should have to demonstrate direct youth involvement in the development and management of programs. Others on the committee advocated in favour of restricting the program to more established organizations. The dispute was resolved at the Cabinet Committee level. The more traditional organizations would not be excluded from the program, but all projects would have to demonstrate the direct participation of young people in the development and management of projects.

The proposal reached the Social Policy Committee of Cabinet in late January. Members of the Cabinet committee agreed that the sum of $5-million proposed for the program was too low. The political implications of adopting such a program was not lost on the politicians. There was not enough money allocated to make a major dent in the overall level of unemployment. The impact would be largely symbolic. In this context, there needed to be enough money to have a visible political impact. Writing in MacLean's in 1972 Sandra Gwyn described the political trade-off:

OFY as it stood was far too small to have an impact either on student unemployment or on the national consciousness.

There were political risks associated with funding "potentially controversial student-initiated" projects and projects that might "infringe on provincial jurisdiction." The government was already planning to introduce a total of $58-million for more traditional summer work programs. OFY would have to be allocated more than $5-million to have a positive political impact.

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51 Interview with Cam Mackie February 1993.
52 H. Green, "Decision-making, Sociology and Policy Analysis," 64. This version of the dispute is also based on an interview with Cam Mackie in February 1993. See also E. Paris, "Are there really any opportunities for youth?," (MacLean's, October 1972) 53. Paris quotes the Minister, Gérard Pelletier, as being sceptical of the paternalism in the more established organizations: "I couldn't understand why the YMCA would be called a youth movement . . . " It was youth serving, but not youth led. Even the boy scouts were suspect.
54 R. Best, "Youth Policy," 146-147.
55 Ibid. Also see R. Best, "Youth Policy," 43-44.
After several weeks of negotiation within the bureaucracy the total allocation for the program was increased to $14.7-million. There was no distinction made between established organizations and newer sponsoring groups. The guidelines were left deliberately vague "to encourage creativity and participation."  

**Cabinet Approval**

The proposal moved to full Cabinet on January 28. The new program would have two main objectives:

- to make it possible for citizen groups, voluntary organizations and young people themselves to develop opportunities for the employment and participation of young people . . . and to find an imaginative and rational procedure for dealing with proposals from outside the public service that provide employment and participation.  

The program would be administered by an interdepartmental committee with membership from Manpower and Immigration, Secretary of State, NHW and Treasury Board and served by a secretariat composed of young people. To ensure accountability, 10% of the project's funds would be held back pending completion of the project.

Attached to the proposal was the Department of Manpower and Immigration's regional forecast report for the summer of 1971. The report stated there would be approximately 1,805,000 students returning to postsecondary institutions in the fall of 1971. This represented an increase of 96,000 students compared to the summer of 1970. There were more people looking for jobs and the economy promised to be worse than in 1970. The government had narrowly avoided pressures the previous summer because of the "many private and public initiatives which had been taken and perhaps the character of the Canadian people." A "serious unemployment situation" with "attendant problems of social unrest" was anticipated.

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57 NAC RG6 ACC 86-87/ 319 File 19-0 Pt. 1 Department of Manpower and Immigration Cabinet Document 70-71.
58 H. Green, "Decision-making, Sociology and Policy Analysis," 43.
Three Ministers in the Liberal Cabinet were vying for the program: Gérard Pelletier (Secretary of State), John Munro (NHW) and Otto Lang (Manpower and Immigration). The Minister of NHW claimed that the original proposal had been drafted by officials in his department and the emphasis on participation and the development of new and innovative services was consistent with the approach adopted in the Welfare Demonstration Grants program. The Minister of Manpower and Immigration claimed that OFY was essentially an employment program. Officials at Manpower and Immigration had the mandate, expertise and experience to administer the program. Furthermore, the department's field personnel were "members of service clubs and local community groups who could provide leadership in mounting projects." The department also administered 110 special student employment centres across the country. The Minister of Secretary of State argued that his department had already assumed responsibility for the government's participation initiatives under the reorganized Citizenship Branch. The department had strong ties with the "new" community groups that would be encouraged to participate in the program. Pelletier was also the Minister responsible for Youth in the Trudeau cabinet.

Cabinet gave final approval for the Student Summer Employment Program on February 25. Trudeau advised Pelletier that the Department of Secretary of State would be responsible for administering the OFY program on the same day. The $57.8-million package included: $24.7-million for a public service hiring program; $14.7-million for OFY; $10.8-million for military cadets and civilian training and a series of smaller allocations for group travel, language training, individual travel hostels, kiosks, special student employment centres and advertising, an international student summer employment exchange and athletic scholarships. With the exception of OFY, most of these programs had been part of the

59 NAC RG 118 ACC 85-86 /071 Vol. 234 File 3972-1 (1971) Pt. 1 OFY General 1971 Reasons for assigning the responsibility for OFY to the Minister of Manpower and Immigration, ADM (Manpower) February 26, 1971. It is interesting to note that the list of community groups identified by the Department of Manpower and Immigration are much different than the "new and emerging" groups being advocated at NHW and the Department of Secretary of State.
previous summer's programs.  

Trudeau introduced the 1971 summer student program in the House of Commons on March 16. In his speech the Prime Minister was careful to distinguish OFY from traditional job creation programs which were:

- make-work activities which contribute little to the national well-being, either now or in the future.

With language carefully selected to appeal to the new youth constituency, Trudeau went on to issue a challenge:

The OFY program will combine the resources of the government with the resourcefulness of youth . . . We are saying in effect to the youth of Canada that we are impressed . . . we believe they are well-motivated in their concern for the disadvantaged; that we have confidence in their value system. We are saying that we intend to challenge them and see if they have the stamina and self-discipline to follow through on their criticism and advice.

In the House of Commons the opposition criticized OFY as being too hastily planned. The Tories criticized the government for leaving plans so late: the first university and community college students would be entering the labour market within six weeks of the announcement. There was virtually no debate on the nature of the program and the fact that federal dollars would be going directly to students to create “innovative” projects.

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62 Ibid. This quote is invoked several times in subsequent speeches by the Minister of Secretary of State and in departmental publications promoting the program.
Program Criteria and Additional Funding

The Cabinet decision to fund the Summer Program established a number of provisions that were specific to OFY. Regional allocations would take into consideration regional disparities based on unemployment rates. Treasury Board was responsible for establishing the criteria for an evaluation study that would report to Cabinet as early as possible in the autumn of 1971. Given the likelihood that these summer conditions would apply to the foreseeable future, proposals for a Summer Employment Program for 1972 should be brought before Cabinet no later than November 1971. To the extent feasible, priority would be given to post-secondary students with the greatest need. The cost of projects would allow no more than $1000 for post-secondary students and $880 for secondary students for three month paid jobs. The total salaries paid to students should not be less than 80% of the total cost of the project (including overhead, administration, training and other costs).64

Senior officials from Treasury Board met with Secretary of State officials on April 26 to discuss the regional distribution of projects and the selection criteria. The allocation of funds would be based on the distribution of unemployment that was forecasted for the summer of 1971 by Manpower and Immigration. The actual allocation compensated for the large number of students anticipated to move to BC and the Atlantic provinces: Atlantic 10%; Quebec 36%; Ontario 21%; Prairies 21% and BC 12%. A 15% contingency fund was established to allow some flexibility in awarding funds between regions. Quebec had the highest absolute number of students and level of student unemployment. Ontario received slightly less on this scale. According to an internal Memorandum, this was because the Ontario government was spending $30-million on its own program and public and private sector hiring was expected to have a greater impact in that province.65

64 Department of Secretary of State, Report of the Evaluation Task Force to the Secretary of State: OFY '71 (Ottawa: Department of Secretary of State, 1972) 8, 27.
65 NAC RG 6 ACC 86-87/319 File 19-0 Pt. 1 Memorandum to Cabinet: OFY Program nd. See also NAC RG 6 ACC 86-87/319 File 19-1 Pt. 1 "Briefing Notes for the Minister Re: Regional Breakdown of Monies under OFY," The Department of Manpower and Immigration forecasted the following distribution of summer student unemployment for the summer of 1971: Atlantic Region 7%; Quebec 36%; Ontario 27%; Prairies 24% and
The criteria for evaluation stressed that "young people would have to be involved in the planning, management and evaluation of projects." In addition, projects would be assessed on the basis of the precision, viability and potential for achievement. A higher ranking would be given to those projects involving new services, ideas, and programs. The ratio of post-secondary to secondary students working on projects would have to be at least 4:1. Sponsors would be expected to have the support of relevant voluntary organizations of and provincial and/or municipal organizations.66

The criteria for the program was expanded in a series of news releases. OFY promised to encompass a wide range of "community-oriented" projects: urban redevelopment, pollution studies, cultural activities, social services for the elderly and practical research projects. The scope of the program was only limited by: "the imagination of the young people themselves and the participating citizen groups and voluntary community organizations." In a speech to the House of Commons on April 22, Pelletier stressed the role that youth participation would play in the program:

proposals which do not involve sufficient student participation or represent merely a financial extension of provincial or municipal services may not be approved.68

This statement was a clear challenge to more established organizations that had traditionally received federal funds for projects. Pelletier reiterated this claim in a speech to the national YMCA on May 29:

program is to make it possible for citizen groups, voluntary organizations and young people themselves to develop opportunities this summer . . . Priorities

are being given to projects that are organized by students themselves.⁶⁹

⁶⁹ G. Pelletier, "Speech to the National Council of YMCAs, Geneva Park, May 29, 1971 (Ottawa: Department of Secretary of State, 1971) Quoted in Ibid., 70.
Additional Funds

The official program deadline was April 15. By the end of the month the department had received over 8600 applications to OFY. This was ten times the original estimate for the program. Applications from Quebec represented the largest number of jobs. Most of the projects submitted were from Ontario (21%) and Quebec (35%). The majority (63%) of applications targeted post-secondary students. By May 10, officials with the program were drawing up contracts for the first round of project approvals. In the House of Commons Pelletier described this response as:

"striking evidence of the creative ability of this young generation and its desire to contribute to economic and social development . . . there is something contagious about the enthusiasm of youth."

Pelletier returned to Cabinet in early May to seek additional funds for the program. The rationale for the request was outlined in a progress report drafted by senior officials and attached to the Cabinet memorandum seeking funds. The response to the PM's challenge had been "overwhelming." Additional funds for the program would not only double the number of those to be employed but also:

build a solid bridge between a particular age group and its government that no other advanced industrial state has yet shown possible in these troubled times.

The report stressed the role that the program was playing in Quebec. OFY provided "an unprecedented opportunity" for federal contact with youth in Quebec and BC:

both potential trouble areas and regions which have traditionally been regarded as the most alienated . . . this contact is the basis of proposals made

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70 NAC RG 6 ACC 86-87 /319 Vol. 148, File 19-1 Pt. 1 Briefing Notes for the Minister of Secretary of State Re: Regional Breakdown of Monies Under Opportunities for Youth; Also NAC RG 6 ACC 86-87/319 Vol. 150 File 19-7 Pt. 1 Progress Report. Opportunities for Youth, 2.

71 NAC RG6 ACC 86-87/319 File 19-0 Pt. 1 Memorandum to the Minister of Secretary of State, Gérard Pelletier, from Bernard Ostry, Assistant Undersecretary of State, April 27, 1971 Re: Suggestions for announcement of additional funds being allocated to the OFY program.

72 Ibid., Appendix II.

73 Ibid., 2.
by the young people themselves within federal criteria. The report also stressed the implications that this contact could have for national unity.

In his notes to Cabinet the Minister admitted that the program had experienced some problems. A few provincial and municipal governments viewed the program as a chance to have the federal government pay for and/or expand existing services. There were also groups who viewed the program as an opportunity to receive money. The review officers were guarding against either of these possibilities. Even with additional funds, up to 75% of the proposals would be rejected. The Minister’s request for an additional $15-million was reduced and approved for $10-million. The total allocation for the 1971 OFY program was now $24.7-million. This raised the total amount approved for the Summer Student Activities Program for 1971 to $67.8-million. This was an increase of $34.2-million over the previous summer’s allocation.

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74 Ibid.
75 Ibid.
OFY Administration: Citizenship Branch

At Secretary of State the responsibility for administering OFY was assigned to the newly re-organized Citizenship Branch. The Citizenship Branch was established in 1941 as a wartime propaganda agency under the auspices of the Department of Citizenship and Immigration. Through the fifties and sixties the department was able to amass a collection of programs including travel and exchange, citizenship courts, grants for ethnic groups and more established organizations such as Boy Scouts of Canada. In 1967-68 the department’s increased involvement in youth activities was responsible for the doubling of expenditures from $236,000 to $480,000. After the Special Planning Secretariat was dismantled in 1968, Citizenship Branch received the mandate to coordinate the citizen participation initiatives under the Trudeau administration.

Trudeau recruited Bernard Ostry as Assistant Undersecretary of State in January 1970. The former CBC Public Affairs Chief was the author of To Know and Be Known, the Trudeau government’s report on access to information. Described as a “skilful powerbroker,” Ostry was committed to the Trudeau government’s promises to “open up government.” He recruited Michael McCabe, the assistant to Mitchell Sharp at External Affairs to act as Director of Citizenship Branch. Under Ostry and McCabe Citizenship Branch was given a new mandate to promote “participation” and “culture.” The emphasis on culture reflected the social tensions over Quebec and the federal government’s interest in promoting national unity. Grants were made available to ethnic organizations, native groups, anti-poverty organizations and tenants’ associations.

Sandra Gwyn described the impact of Ostry and McCabe at Citizenship Branch and the Department of Secretary of State in an article in MacLean’s in 1972:

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76 S. Gwyn, “The Great Ottawa Grant Boom,” 23.
78 Ibid. During the fiscal year 1969-70, 109 grants were approved under the Citizenship Branch programs for a total of $1,015,680.
79 S. Gwyn, “The Great Ottawa Grant Boom,” 23.
the pair turned Citizenship into a flamboyant, freespending animateur sociale. Traditional father-knows-best groups were upstaged. Instead massive grants went to militant native groups, tenants' associations and other putative aliens of the seventies.\textsuperscript{81}

The Annual Report of the Department of Secretary of State in 1970 described the Branch's mandate in less colourful terms:

\begin{itemize}
  \item to contribute to national solidarity by encouraging citizens to participate . . .
  \item the Branch acts "as a liaison" between the federal government and voluntary associations.\textsuperscript{82}
\end{itemize}

Grants to organizations were also intended to help "underprivileged" Canadians overcome obstacles which prevent them from participating more actively.

Within the department there was the view that Secretary of State programs should fund groups committed to social justice and challenging the status quo. Bernard Ostry described the role of Citizenship Branch in this period in his book \textit{The Cultural Connection}:

The Branch was supposed to develop and strengthen a sense of Canadian citizenship, chiefly through programs that would aid participation and assuage feelings of social injustice.\textsuperscript{83}

This included challenging the role played by other parts of the federal bureaucracy. First Nations organizations were funded despite the opposition of the Department of Indian and Northern Affairs and youth programs were undertaken without the "blessings" of the Department of Manpower, NHW or the Department of Justice.\textsuperscript{84}

To make these changes Ostry brought a number of new people into the organization. The mandate for the reorganized Citizenship Branch came directly from Cabinet. In May 1970 Cabinet authorized new objectives including the preparation of a new citizenship bill and a promotion campaign. The Branch's budget nearly doubled from $4.6-million in 1969-70 to $8.1-million in 1970-71. With the addition of OFY the budget jumped again to $44-

\begin{itemize}
  \item \textsuperscript{81} Ibid.
  \item \textsuperscript{82} Department of Secretary of State, \textit{Report of the Department of the Secretary of State of Canada for the year ending March 31, 1970} (Ottawa: Secretary of State, 1970).
  \item \textsuperscript{83} B. Ostry, \textit{The Cultural Connection}, 117-118.
  \item \textsuperscript{84} Ibid.
\end{itemize}
million in 1971-72. The enhanced role of the Branch and the Department was described in a consultant’s review in 1971:

Citizenship Branch has now become the single most important federal agency in the funding of voluntary organizations.\(^{85}\)

**OFY: The Hip Bureaucracy**

Once OFY received Cabinet approval Mackie was seconded from National Health and Welfare to act as coordinator and implement the program at Secretary of State. Mackie’s background for the position included an MSW degree from the University of Manitoba and experience as a street community worker in Winnipeg. In 1965 he was hired as a staff person with the Company of Young Canadians. He left CYC in 1968 to work at National Health and Welfare. In September 1970 he was involved in negotiating a resolution of the occupation of the armouries in Vancouver. At 32 years old Mackie was considered to be part of a new breed of young civil servants who were recruited to work in the federal bureaucracy in the late sixties and early seventies. Through his work at CYC and NHW he had contacts with individuals and groups from across the country.

An office was set up on 12th floor of Ottawa’s National Building for the administration of OFY. This location was just one floor below the Minister’s office. A Secretary of State publication described the office as a “wide open space, open to new ideas, quick action and sharing of ideas.”\(^ {86}\) Approximately 30 staff were hired to act as project officers with responsibility to solicit and review applications. Another 60 students were hired to help monitor projects. Most of the people hired to work on the program were between the ages of 23 and 40 years and had completed some level of post-secondary education. Community work experience was considered an asset for the job. Many of the people hired

\(^{85}\) Canada Consulting Group, “Improving the Management Effectiveness of Citizenship Branch, the Department of Secretary of State,” (Ottawa: Department of Secretary of State, November 1971) I-4. Quoted in L. Pal, *Interests of State* 112.

\(^{86}\) NAC RG 6 ACC 86-87 Vol. 148 File 19-1 Pt. 1 “Participation” Bulletin #5 Department of Secretary of State, April 1971.
had experience with the CYC or the student movement.\(^{87}\)

Staff were organized into five regional desks: Atlantic, Quebec, Ontario, Prairies/NWT and BC/Yukon. The Treasury Board deadline meant that money had to be spent by April 30, only six weeks following the announcement of the program in the House of Commons. Applications were drafted and distributed through the field offices of the Department of Secretary of State and other federal departments. The application form was relatively straightforward. Applicants had to describe the objectives and activities for their project and submit an overall budget. To ensure that a wide spectrum of groups would be encouraged to apply, staff gathered mailing lists of organizations from other Secretary of State programs, NHW and the Department of Indian and Northern Affairs. The emphasis was on soliciting sponsors that would encourage direct student involvement, such as student organizations, anti-poverty groups and native groups.\(^{88}\)

The applications were received, separated into regions and assessed by project officers before being sent for review by a committee of senior officials including André Lapointe, Michael McCabe, Robert Nichols and Cam Mackie. The assessment checklist stressed a number of criteria including the project’s feasibility, the potential community benefit, the participation of employees in the management of the project, the number of employees and the degree of youth involvement.\(^{89}\) Projects of more than $100,000 had to be reviewed by an Interdepartmental Committee made up of officials from NHW, Secretary of State, Manpower and Immigration, Urban Affairs and Treasury Board. The responsibility for final approval rested with the Minister. Officials with the program had anticipated that processing of applications would take three weeks. With the high volume of applications, it was virtually impossible to keep to that schedule. The program was so rushed that most project were reviewed on a first come, first serve basis. Most of the discretion for approval

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\(^{87}\) NAC RG 6 ACC 86-87/ 319 Vol. 149 File 19-3 Pt. 1 OFY Interdepartmental Committee Minutes, April 6, 1971. Also Interview with Cam Mackie, February 1993.

\(^{88}\) Interview with Cam Mackie, February 1993.

\(^{89}\) NAC RG 6 ACC 86-87/ 319 Vol. 149 File 19-1 Pt. 1 Draft Assessment Form OFY. nd.
was at the project officer level.

Letters of approval (or rejection) were sent to groups in May and June. To avoid "unnecessary bureaucratic complications," project sponsors were encouraged to review the contract stipulations related to the budget and financial matters. The project, as defined in the legal agreement belonged to all of the participants "in a formal and concrete sense." Sponsors were encouraged to organize collectively:

while OFY does not attempt to tell you how to run your project we do wish to make it clear that the agreement establishes equal rights for participants.\textsuperscript{90}

Two representatives from the group were responsible for signing the contract and acting as receivers and administrators. All other employees were considered to be full, equal status members of the project.\textsuperscript{91}

\textsuperscript{90} NAC RG 6 ACC 86-87/319 File 19-0 Pt. 1 Youth Canada Jeunesse Re: sample letter of approval.
\textsuperscript{91} Ibid.
Summer 1971

All projects were approved by the end of June. Project activities ranged from the coordination of recreational programs for children and senior citizens to the publication of underground newspapers, daycare centres, tenant associations and welfare rights groups. Approximately 30% of OFY projects fell into the category of community services and activities; 19% involved creating “a new cultural awareness to strengthen the Canadian community”; 28% were community research projects and approximately 6% provided various educational services.92

It was not long before the program became the subject of considerable controversy. The main complaint was that the program had been conceived “too hastily” and the result was “chaotic administration.” There was considerable media coverage, including 2,587 separate stories in the written press. The program was both attacked and praised with headlines ranging from “The Future It Works” to “larceny perpetrated with Canadian tax dollars.”93 The program was also the subject of debate in the House of Commons. Opposition MPs complained about the funding of so-called counterculture projects.94

Part of the problem stemmed from the fact that OFY represented a “different way of doing business” within the federal bureaucracy. The promotional materials for OFY went to great lengths to explain what this relationship would involve. Project officers were responsible for monitoring projects, but their role was described as providing support for initiatives that young people would develop, manage and implement. Contracts between the federal government and community organizations stressed the role of participation and the “arms-length” relationship to the government. The emphasis was on imaginative, new and innovative projects.

92 Department of Secretary of State, A Canadian Experiment: Catalogue of Projects funded in 1971 under the Federal Government Opportunities for Youth Program of the Department of Secretary of State (Ottawa: Department of Secretary of State, 1972) 1.
93 S. Gwyn, “The Great Ottawa Grant Boom,” 22.
Provinces complained that the projects trespassed on provincial jurisdiction. Nova Scotia was the only province to ask for more money. Project officers were supposed to consult with provincial representatives, but there was little time in the haste to get projects approved. Quebec received the bulk of funds, but representatives from that province complained of the lack of veto over the type of projects and sponsors that would be approved in that province. Much of this criticism echoed the concerns that were levied earlier at the CYC. The opposition was particularly vehement in BC and Quebec. In BC there was local opposition to the funding of communes, American draft-dodgers and “long-hairs.” MPs from Quebec were concerned that federal dollars were funding projects sponsored by separatists. The *Toronto Sun* charged that government money was going to “radical” groups and pointed to projects sponsored by Rochdale College, a Satanist Cult and “other Marxists.”

As the Minister responsible for the program, Gérard Pelletier launched a strong public defense. In an eloquent speech in the House of Commons on June 18 Pelletier accused the critics of OFY of not trusting the youth of Canada:

> today there is a lot of talk about participatory democracy, community solutions, grass roots participation . . . but there appears to be considerable uneasiness about giving these forces a chance to operate.  

The Minister acknowledged that there had been problems with the administration and monitoring of projects, but these aspects of the program had been rectified. There were mechanisms in place to both monitor and audit the projects.

While Pelletier defended the program publicly, there were strong pressures on the bureaucracy to “tighten up” the program. The supervision and monitoring of the program were an on-going source of concern. In a Memorandum on July 14, the Assistant Undersecretary of State, Bernard Ostry assured the Minister that procedures were in place to monitor sponsor activities. All projects had been visited by a project officer by the middle

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95 R. Best, “Youth policy,” 155-156.
96 NAC RG 6 ACC 86-87/ 319 File 19-0 Pt. 1 Statement of Motions to be given by the Minister of Secretary of State, Gérard Pelletier to the House of Commons on June 18, 1971.
of July. The purpose of these visits was to monitor: (i) the project’s activities (against the proposal and contract); (ii) the number of people hired; (iii) the financial and administrative procedures; and (iv) the impact of the project on the community. Supply and services would conduct an audit on all projects over $25,000.97

According to Ostry, the project review had revealed few problems. In only two cases were steps taken to reorganize projects after the existing management was determined not to be capable of carrying out their duties. The program had defined new criteria for closing projects. Projects could be terminated if funds were being used for propagandistic purposes, illegal activity, if the project had a negative impact on the community in such a way as to have a negative impact on OFY or if there was indication of significant irresponsibility or bad judgement as to the impact on others, especially children.98

The policy regarding project termination was developed in response to the cancellation of two projects involving underground newspapers. On June 15 the government cancelled a $15,000 grant to the Georgia Strait, an “alternative” newspaper in Vancouver. The paper was founded in the spring of 1967 and had been locked in a fairly long-standing battle with local municipal authorities. In the spring of 1971 the paper had been critical of the role of the police in rounding up young transients in what was called “saturation patrolling.” Local authorities complained to the MP, Ron Basford, who pressured the Minister to withdraw the grant. After the grant was cancelled, Basford, who was also a Minister in the Liberal Cabinet, claimed that there were “better things” that could be done with the money.99

In Regina, the Prairie Fire, another alternative newspaper, had its grant withdrawn after it ran a story on June 11 about Liberal gerry-mandering in the Saskatchewan provincial

97 NAC RG 6 ACC 86-87/ 319 Vol. 148 File 19-1Pt.1 Memorandum to the Minister of Secretary of State Gérard Pelletier from Bernard Ostry Assistant Under Secretary of State via Jules Leger Undersecretary of State July 14, 1971.
98 Ibid.
election. The paper claimed that a Liberal constituency worker in Regina had offered two individuals several thousand dollars to act as independents and draw votes from the NDP. The Liberal leader, Ross Thatcher, was livid and accused the federal Liberals publicly of funding a paper that reflected the views of:

militant minority socialists, Maoists and leftwingers . . . Secretary of State Pelletier announced a grant of $7,000 to this bunch of kooks to put out a newspaper. I sometimes wonder if Pelletier and his impractical schemes are more of a menace to Saskatchewan Liberals than the NDP.¹⁰⁰

On the eve of the provincial election the paper received word that its project had been cancelled.¹⁰¹

On June 23 the Department of Secretary of State issued a media release regarding the decision to cancel the two projects:

In the context of the on-going review of OFY projects outlined in the House of Commons on June 18 by the Minister of Secretary of State . . . we have decided to discontinue financial support of these projects . . . the OFY review process is at this date concerned with all projects but especially with those which have an immediate and direct impact, by their very nature on the communities they serve.¹⁰²

It was decided to cancel the Georgia Strait project “after reviewing recent issues in the context of the on-going review.” The Prairie Fire grant was cancelled because grants to media projects could not be used for “partisan political purposes.” The Regina paper had ignored that stipulation in its June 11 issue.¹⁰³

The decision to cancel these two projects did not result in the closure of other newspaper projects. Responding in the press as to why their paper had not been cancelled, one member of the Guerilla press in Toronto claimed that the group was “not especially happy” that the federal government had “given their moral and political stamp of approval” to the project. They were not about to give up their $15,000, however:

¹⁰⁰ “Thatcher Raps Pelletier for Nutty Project Support,” Regina Leader Post (June 12, 1971).
¹⁰³ Ibid.
We've considered refusing . . . but that would be kind of like being a Catholic martyr with no real advantage to anyone.\textsuperscript{104}

There were other controversial projects, but only two others were terminated over the entire season. The political lessons of the summer were not lost, however, on wary Liberal politicians. Underground newspapers and other "politically sensitive" projects would not be included in the list of projects for OFY in 1972.

\textsuperscript{104} R. Verzuh, \textit{Underground Times}, 158.
Evaluation Year One

Despite a relatively stormy beginning, OFY was considered a qualified success by officials at Citizenship Branch and the Department of Secretary of State at the end of the first summer. Media coverage of the program was more favourable by the end of the summer as projects demonstrating community service were given a higher profile. Plans were in place by September to begin a review of the program and make recommendations for a possible repeat of the program the following year. On September 27, 1971 Mackie brought together field officers and students from across the country for a meeting to discuss the program. The main criticism of the program involved the late announcement, administrative problems associated with the size of the program, the targeting of so-called "middle class" youth and the fact that $1,000 in wages was not high enough to make a substantial dent in the costs associated with attending university.105

This critique was generally shared amongst field officials and administrators with the program. In a speech to the Rotary Club on October 26, Graham Deline, a project officer with the program defended OFY and the impact it had on summer employment. Deline had been involved with CYC and was hired by OFY to supervise projects in southern Ontario. In his view the scheme suffered from a late start and a lack of knowledge of local conditions, but, on balance, the learning experience made the program "worthwhile." Two-thirds of the projects were completed successfully and there was considerable benefit in giving participants experience in planning and carrying out work that they considered to be "of benefit." Deline assured the audience that there had not been any direct bias against established organizations in the selection of projects. Preference was given, however, to groups which directly involved youth in the planning and management of the project.106

105 NAC RG 6 ACC 86-87/319 File 19-0 Pt. 1 Memorandum to all field offices from Andre Lapointe Director General of Operations Department of Secretary of State September 21, 1971.
106 "Youth Program Beneficial, Official," Ottawa Journal (October 26th). See also NAC RG 6 ACC 86-87/319 Vol. 149 File 19-1 Pt. 1 Memorandum from Andre Lapointe Director General of Operations to Bernard Ostry Under Secretary of State November 1971 re: Graham Deline’s Speech to the Rotary Club. Also Memorandum to Bernard Ostry Assistant Undersecretary of State from Gene Himbault, Acting Director of
The formal evaluation of the program was not as positive. The Treasury Board approval authorized the hiring of an independent team to evaluate the OFY program and make recommendations to Cabinet by November 1971. The first Evaluation Task Force was established on May 27, 1971. The mandate of the task force was to produce a report evaluating the programme in the context of:

the government’s developing policies toward young people . . . the performance of the programme against the criteria of Treasury Board, the objectives of the programme itself, the objectives of the Department, the broad youth policy objectives set out in the Report on the Committee on Youth and the objectives and priorities of the government.107

On June 18 Pelletier assured the House of Commons that the Evaluation Task Force would be independent of the Department of Secretary of State. The evaluation report would be made public and tabled in Parliament in the fall.108

On July 14 Ostry wrote to the Minister advising of the “special needs” that would have to addressed in an evaluation of the program. OFY represented a departure from the traditional granting policy in the federal government. Most federal grants were geared to specific departmental programs. In OFY the government left the design of the projects “to the imagination of those eligible to apply for grants and the parameters of acceptable project types.” Ostry advocated in favour of a public approach to the evaluation, including the publication of the final report.109

This enthusiasm for a candid approach to evaluation waned considerably over the

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107 Report of the Evaluation Task Force to the Secretary of State: Opportunities for Youth ’71 (Ottawa: Department of Secretary of State, 1972) iv.
108 Ibid.
next several months as it became clear that the Evaluation Task Force would be critical of the program. The final report criticized the overall mandate of the program and the Interdepartmental Committee's original definition of the problem facing youth:

At no stage did the Committee consider the promotion of social change as an objective nor did they attempt to place the sources of the problems of young people in the wider context of the economic and political structures of the society as a whole.\textsuperscript{110}

Instead the committee was concerned with the question of unemployment and the "distinct possibility that a combination of unemployment and inactivity" would lead to social unrest.\textsuperscript{111} The report provided a negative review of the OFY program. Wages were too low to provide students with enough money to return to school. There were too few jobs to meet the needs of students looking for work. The emphasis on students meant that a large group of "youth" were still left unemployed.\textsuperscript{112}

When it became clear that the first Evaluation Task Force would be releasing a negative review, a second research team was hired in the fall with a mandate to produce the report that would be made public. The tone of this report was much more sympathetic to the program and the government. It praised the program as an "endorsement of community" that provided "one amongst many" initiatives to solve student unemployment. The success of the program attributed to the fact that unemployed youth had been engaged in "socially useful" work. The three objectives—employment, meaningful work and satisfying tasks—were seen to be part of the larger participation "vision" anticipated by Pelletier and Trudeau.\textsuperscript{113}

The second, more favourable, report was tabled in the House of Commons in December. The \textit{Evaluation Taskforce Report} was submitted to the government the same month but it was not published until February 1972 after excerpts were "leaked" to \textit{The}

\begin{footnotes}
\item[111] \textit{Ibid.}
\item[112] \textit{Ibid.}, See also R. Best, "Youth Policy," 148-151.
\item[113] Systems Research Group Incorporated, "Evaluation of the Opportunities for Youth Program, 1971." (Ottawa: Department of Secretary of State, 1971) ii-iii.
\end{footnotes}
Ottawa Citizen. The ETF Report was tabled in the House of Commons in March.\textsuperscript{114} Neither evaluation report, however, played a role in the decision to repeat OFY the second year or commence another major works program in the fall. This decision, like many of the others that would take place over the next few years, was made by senior officials after a more informal, internal review of the program.\textsuperscript{115}

**OFY 1972**

There were relatively few developments in the program over the fall and early winter months of 1971-72. In October 1971 the government announced plans for the Local Initiatives Program, a winter employment program sponsored by the Department of Manpower and Immigration and modelled after the principles of OFY. In late fall Otto Lang wrote to the Prime Minister again indicating that the program should be transferred to Manpower and Immigration. In his reply, Trudeau argued that the program should stay at the Department of Secretary of State for another year:

> The purpose of the program (OFY) is not just to provide jobs and incomes. . . it is also for young people to apply their academic training and idealism in a very direct and personal way through service to the community.\textsuperscript{116}

The emphasis on “participation” in OFY suggested that it should remain with Citizenship Branch and the youth initiatives at the Department of Secretary of State.

In October Mackie left the OFY program to become the Coordinator of the new program at Manpower and Immigration. A new Coordinator of OFY was hired in January. At 32 years old, Max Beck had an MSW and worked for several years as a community organizer and social worker in Vancouver. He supervised the five OFY projects sponsored by Inner-City Youth in Vancouver during the summer of 1971 and drafted a proposal for a


\textsuperscript{115} Interview with Cam Mackie February 1993 and Max Beck May 1993.

\textsuperscript{116} NAC RG 118 ACC 85-86/071 Vol. 234 File 3972-1-1971 (1) OFY Letter to Otto Lang, Minister of Manpower and Immigration from Prime Minister Trudeau, 19 January 1972.
winter employment program for the Department of Secretary of State in the fall.

On January 13, the Minister of Secretary of State announced that there would be a second round of OFY included in the Student Summer Employment Activities Program. This year the SSEAP was allocated a total of $85-million, including $34-million for OFY. As had been the case the previous summer, OFY made up the largest component of the summer package. With unemployment rates still high and the prospect of a pending federal election looming, the government was concerned about the prospect of another increase in the number of students expected to flood the labour market in the spring. The Department of Manpower and Immigration forecast that an additional 100,000 students (over the previous summer) would be seeking work.

There were few changes in the rationale for the 1972 summer program. The objectives were:

- to encourage and create student employment and activities which could be socially useful and personally satisfying and reduce the predicted rate of student unemployment.\(^{117}\)

The first goal could be measured statistically. It was more difficult to assess “socially useful.” The final selection of projects was based on four main criteria: youth involvement, community benefit, feasibility and innovation. At least half of the participants would have to take part in the planning of the project and 80% of the participants would have to sign the application. Community benefit referred to projects that met “priority needs” and/or benefited members of an underprivileged group or persons from a disadvantaged area. Projects would be given priority that attempted to deal with “identified needs” in a novel way, encourage creativity or contributed to social change or community development.\(^{118}\)

In 1972 OFY would also include measures to increase the participation of female students

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\(^{117}\) NAC RG 6 ACC 85-86/071 Vol. 234 File 3972-1-1972 (1) OFY Information Paper.

\(^{118}\) Ibid.
There were a number of changes designed to minimize the political controversy attached to the program. Based on the experience with *The Georgia Strait* and *Prairie Fire* the previous summer, the program would not fund “publications whose chief purpose was commentary and confrontation rather than information.” This provision was extended to include “projects of a political character . . . wherein the objective is to work for a political party towards the attainment of political goals.” The refusal to fund newspapers that espoused “partisan views” was intended to reduce direct attacks at the Liberal Party at the provincial and/or federal level.

A second provision required prospective applicants to include letters of support from more “established” organizations in their community. The application form claimed that these letters of support were intended to help project sponsors “build bridges with the community.” There would also be a political “check” on the program that allowed MPs to review projects in their constituency. This change was a direct response to concerns raised by members of the federal Liberal caucus in December 1971. According to Paris’ article in *MacLeans*, the political check involved the cancellation of at least 39 projects in Quebec. Eight of a total of twenty-three project officers resigned over the matter. Another project officer from Toronto described the program as the “most partisan program” he had ever seen. Some MPs refused to review the projects on the basis that they would be considered

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119 NAC RG 118 ACC 85-86/ 071 Vol. 234 File 3972-1-1972 Pt. 1 “News Conference,” (Department of Secretary of State, January 13, 1972). Transcript from media conference with the Secretary of State Gérard Pelletier. OFY already had a relatively high female participation rate, but the objective was to have the ratio of male to female participants reflect the gender breakdown of students registered in post-secondary education. In 1972 potential project sponsors would have to estimate the number of male and female employees they would be hiring for the project.


122 NAC RG 6 ACC 85-86 86-87/314 file 19-1 pt. 1. Letter to the Honourable Gérard Pelletier, Minister of Secretary of State from M. Foster, Liberal MP for Algoma. In this letter Foster describes the concerns of the Liberal caucus related to OFY. MPs were particularly concerned that projects were announced in ridings without the prior knowledge of the Member representing the riding.
a censor and have to "take the blame" when projects were refused.\textsuperscript{123}

Pelletier defended the tighter regulations in a revealing interview with the media shortly after the program was announced in January. In response to a question about the "frivolous" aspects of an OFY project that created a 2.5 minute film on the art of spaghetti-making, Pelletier maintained that OFY had a role to play in supporting "creativity," particularly in cultural projects. These fringe artistic projects, however, needed to be distinguished from periodicals that indulged in "political partisanship" or "systematic confrontation." The latter were precluded from the program because they were not consistent with the overall objectives of the program. It was important to protect "as much as possible" the ability of groups to complete projects that were "innovative and non-traditional."\textsuperscript{124} "Alternative" services and culture would be supported, but projects that engaged in criticism of the government or the Liberal Party could expect to be turned down.

There were also a number of changes to the administration of the program. Field officers were decentralized to the regions to ensure that there was closer contact with the local communities. The decentralization of field staff addressed the frequent complaint that the project officers were not familiar with local communities. Project officers would be recruited who had knowledge of the communities and experience working with community groups in the region. Approximately 80 project officers were hired with responsibility for the solicitation, assessment and monitoring of projects. These staff members worked out of local Secretary of State offices but reported to five regional coordinators located in Ottawa.

New constituency advisory groups were established to advise on the selection of projects. Similar committees were established on a pilot basis under OFY in Cornwall and Sault Ste. Marie in 1971. The prospect of establishing local groups on a wider scale was the

\textsuperscript{123} E. Paris, "Are There Any Opportunities For Youth?," 55.

\textsuperscript{124} NAC RG 118 ACC 85-86/ 071 Vol. 234 File 3972-1-1972 Pt. 1 "News Conference," (Department of Secretary of State, January 13, 1972). Transcript from media conference with the Secretary of State Gérard Pelletier.
subject of considerable discussion in the OFY program unit. The argument in favour of the advisory groups stressed the role they could play in providing "local input" into the selection process and thereby minimize the potential for controversy and dissent. The argument against the proposal argued that advisory groups could act as a potentially conservatizing force vis-à-vis the selection of projects. There was a fear that these groups could become accountable to "the more powerful vested interests in the community" and select "safe projects" as opposed to others "oriented to change." In contrast, federal civil servants could make decisions:

at a distance from the local power structure . . . with the vision and imagination of a national perspective.  

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The main political difficulty associated with introducing constituency groups, however, was the need to legitimize the individuals chosen to represent the community. It was important to have a cross-section of the community represented, but at the same time to maintain "youth" as the direct constituency. As one official with the program argued:

our constituency is youth and not the general public . . . young people tend to think and act differently than local power structures.  

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The second year of the program was relatively uneventful. Publicity for the program was more positive. In late April 3041 projects were selected, providing 30,080 jobs. 58% of the projects were devoted to rural projects and 45% of the participants were female. The administration was vastly improved. Over 125 project officers were hired to provide field support in the regions. An experimental private sector branch was set up to solicit funds from industry and for good projects that required more money. There was still public debate over the value of a four month program. Some complained that the projects were "too repetitive," others that the program was still too "middle class." By 1973 there were over 140 project officers located across the country.

125 NAC RG 118 ACC 85-86/071 Vol. 234 File 3972-1-1972 (1) Memorandum from Roberts Andras to Stan Trembley 10 March 1972, Re: Ex-CACs.

126 Ibid.
It is questionable, however, if the program had a major impact on student or youth unemployment. This was the harshest criticism of the program in the Evaluation Task Force Report released in 1972. In June 1971 56% of Canada’s 568,000 unemployed were under the age of 25 years. OFY employed 27,000 people in 1971 and 29,000 people in 1972.\textsuperscript{127}

In response to a question about the labour market impact of the program in January 1972, Pelletier made it clear that it would not be possible to have a program large enough to meet the needs of all unemployed students. The government expected the market to play a larger role in creating jobs:

- It's not a total solution and in a country like Canada you have to rely on the private sector to absorb most of the students during the holidays . . . (OFY) is more than just a job and getting a few hundred dollars set aside for the school year.\textsuperscript{128}


\textsuperscript{128} NAC RG 118 ACC 85-86/071 Vol. 234 File 3972-1-1972 (1) News Conference, Secretary of State, 13 January 1972.
Conclusion

This discussion of the first two years of OFY highlights the importance of trying to understand how social and political tensions are mediated within the institutional form of the state. It is difficult to avoid the analysis that OFY represented a direct attempt to mediate tensions related to rising unemployment among youth and concerns for the potential for unrest, particularly among post-secondary students. This observation confirms the forces identified in the Loney and Huston articles and stands in sharp contrast to the origins of both the NHW Demonstration Grants program and the CYC. As Cabinet documents reveal, concerns about unrest, especially in BC and Quebec, played a major role in the deliberations over the program in the late fall and early winter of 1970-71. There was also an appreciable diminution of the 'political space' that was available to OFY sponsors over the two year period. The changes to the program in 1972 were almost all designed to narrow the range of political activities that would be considered eligible for funding.

The program was not, however, a response to the direct lobbying efforts by the student movement or youth organizations. OFY, like the CYC and NHW Welfare Demonstration Grant program, sparked considerable debate over the potential impact of state funding on community organizations, particularly in organizations associated with the New Left. The issues of accountability and control raised important questions about the role of the state and its efforts to coopt the political activity of social activists and their organizations. Others argued that state funding could be a new resource for social animation and the development of new services.

In retrospect there was some validity to both of these views of state action. If there were concrete limits to the type of political action and dissent that would be tolerated, it is also true that some Liberal Cabinet Minister and a young group of bureaucrats were willing to take some political risks to fund the programs. The funding of social service projects, in particular, posed a direct challenge to the provinces and more established organizations. There were other aspects of the program that reflected the transformation of the labour
market and nature of unemployment: dollars would go directly to young students; there would be a set ratio established for female workers and the projects would stress the role of ‘meaningful work’ in the para and broader public sectors. The fact that the program targeted students and not ‘unemployed youth’ reflected the fact that this group was an important—and visible-political constituency.

In this context, the design of the program was shaped, in part by the political actions of the its new youth constituency and the work of a number of key policy actors inside the bureaucracy. According to Mackie, the program was an attempt to “build on what was already being done.” In a field of competing forces, OFY provided the state with the means to deal directly with a growing youth constituency. The basic thrust of the program was to avoid the political tensions related to rising unemployment and the demands of a more organized sector. For all of its policy innovation, however, OFY was still primarily a residual strategy—both in terms of its impact on the design of new services and the level of student and youth unemployment.

A number of factors were conducive to introducing OFY in the summer of 1971 that reflected the impact of broader material conditions and developments in the state arena. The government was interested in stemming the potential for unrest and there were more general concerns related to youth alienation and the activities of groups that were organizing at the local level. There were also important institutional factors involved. This was a period of more general policy innovation inside the state. The new participation initiatives represented an effort to forge a relationship between the state and a number of new political constituencies. The federal government was willing to ‘push’ the provinces on jurisdictional issues, and the federal government had the resources to respond. In a period of relatively healthy revenues, bureaucrats were still able to determine that “cost was not an issue.” These conditions would change dramatically over the next two years.

In this context the design of the programs was shaped by political actions of the new youth constituency and the work of a number of key policy actors inside the bureaucracy.
Ng's notion of a compromise between the state's need to balance new social tensions and the demands of the new groups is attractive. These tensions were reflected in the institutional forms of the state. In a period of policy innovation, the Citizenship Branch at Secretary of State was given an explicit mandate to mediate these forces and act as a "bridge" between the state and the new organizations demanding change. The emphasis in OFY on "participation" reflected this objective. As a policy instrument to address unemployment, however, OFY was still very much a residual strategy. As the Evaluation Task Force argued in 1972, the main concerns of committee members was the need to deal with the 'politics' of student unemployment. There was not enough money involved to make a significant dent in the unemployment statistics for youth.
Chapter Five
Winter Employment and Minority Government
LIP 1971-73

Introduction
The federal government introduced another series of job creation programs in the fall of 1971. In October, the Finance Minister, Edgar Benson, announced a $438-million Special Employment Plan to address the problem of seasonal unemployment in the winter months. Most of the measures included in this package reflected the legacy of traditional winter works programs. The exception was $100-million set aside for a new Local Initiatives Program sponsored by the Department of Manpower and Immigration. Modelled after OFY, LIP provided funds directly to community groups, Indian Bands and municipalities to sponsor projects that involved the participation of unemployed in projects of "community betterment." Funds were made available to sponsors to fund new and innovative services in the social services and arts as well as more traditional projects in the municipal sector.

This chapter examines the factors that influenced the introduction and development of LIP over the first two-year period from 1971 to 1973. The announcement of the Special Employment Plan reflected the political pressures related to rising unemployment and the prospect of a federal election. Buoyant federal revenues provided the government with the means to increase social spending. Within months LIP developed a political momentum of its own as sponsors of LIP projects organized political coalitions in the large urban centres. This, combined with the political impact of the Liberal losses after the federal election and the shift in power towards the NDP, set the stage for a series of extensions that turned the seasonal winter works program into a full year program for two years.
Prelude: Unemployment and the Economy 1971-71

The political pressures related to youth unrest and alienation described in the last chapter were not the only problems facing the Trudeau government in 1970-71. Trudeau's tough stance on the FLQ and Quebec nationalism earned the government considerable favour in English Canada during the last quarter of 1970. That popularity waned considerably over the next year and a half as the economy began to show signs of strain. There was a mild acceleration of industrial activity in 1971 but there was no corresponding reduction in the high rates of unemployment that had characterized most of 1970. The labour force continued to expand (3% over the entire year), reflecting the increased participation of young people and women. The unemployment rate remained high, averaging 6.4%, compared to 5.9% in 1970. For the second year in a row, Canada's unemployment rate was the highest in a group of major OECD countries, including the US, UK, Japan, France, West Germany and Italy.1

Political observers considered 1971 to be a pre-election year. On the campaign trail during most of the spring and summer of 1971, Trudeau was forced to respond to repeated attacks by the opposition over his handling of the economy. The NDP and the Tories pointed to the government's anti-inflation strategy and the impact it had had on rising rates of unemployment. At a press conference in July the Prime Minister conceded that the government's failure to lower unemployment was a factor in its waning public support:

I think it is fair to say that on the matter of the situation of the economy, particularly the problem of unemployment, the government has lost a substantial amount of popularity that it had, compared to the last election... I understand this... and I'm willing to take our share of the blame for it... I am convinced that the economy is now on an upswing towards lower unemployment and a more buoyant economy.2

In a speech in September Pierre Trudeau complained that inflation seemed to be "coming back" after a brief period of stability but he rejected another round of wage and price controls. At another meeting he claimed that the unemployment statistics exaggerated the


impact of unemployment. Many people were not working because they rejected the jobs that were offered to them.³

The country’s economic woes were exacerbated when the Nixon administration announced a new round of measures to deal with the balance of payments deficit in the United States. On August 15 Nixon announced several measures that would affect the Canadian economy. These included the suspension of the convertibility of the American dollar into gold; the imposition of a temporary surcharge on about half of the imports entering the US market; and the provision of an export incentive in the form of tax deferrals. Federal policy-makers were concerned that this could have a devastating impact on Canadian exports. In 1970 exported goods to the US were worth about $12-billion and imported goods were worth $11-billion. Close to one quarter of total US exports were purchased by Canada and the US supplying more than about 70% of Canada’s total imports.⁴

Pressures to deal with unemployment continued throughout most of September. On October 14 the Minister of Finance, Edgar Benson made a surprise 2500 word statement to the House of Commons announcing a series of measures designed to stimulate the economy and create jobs. The proposals included a 3% reduction in personal income tax and a 7% reduction in corporate taxes. Other proposals included $100-million for a new Local Initiatives Program; $20-million for an on-the-job training directed to the needs of unemployed young people; $15-million for existing manpower training programs and an improved $160-million special program of loans to the provinces and municipalities to finance job-creating projects; and an $80-million program by the Department of Public Works to improve federal buildings and accelerate forest and park projects. To encourage quick use of the monies the federal government would relieve the provinces and municipalities of $3 for every $4 of on-site labour costs which they incurred to the end of

³ Ibid., 40-41.

May 1972.\textsuperscript{5}

Defending his announcement, Benson stressed the government's concern with rising unemployment:

I told this House that I had expected unemployment to fall in the second half of the year, and the hard fact is that the September figures is three-tenths of a point higher than it was a year ago. I do not wish to minimize in any way the seriousness of this fact.\textsuperscript{6}

According to the Finance Minister, this rise in unemployment should not be attributed directly to the failure of the government's economic policy or the failure of employment to grow. The problem reflected the dramatic increase in labour force participation of young people and women.\textsuperscript{7}

In the House of Commons the leader of the Progressive Conservative Party called for Benson's resignation. Stanfield pointed to the fact that his Party had been pushing the government for two years to introduce some type of short-term job creation program.\textsuperscript{8} The belated inclusion of job creation measures in Benson's October announcement was:

the clearest possible admission that the government has been wrong in its policies over the past six months and over the past year and we have been right.\textsuperscript{9}

The NDP leader, David Lewis, also pointed to the government's delay in making an announcement of job creation measures:

This programme is not so imaginative, so ingenious, so unprecedented that it needed all the brains of all the ministers and officials for the last six months


\textsuperscript{6} \textit{Ibid.}

\textsuperscript{7} \textit{Ibid.}

\textsuperscript{8} Under Stanfield the Progressive Conservatives were still laying claim to the introduction of the Municipal Winter Works Incentives Program that had been introduced under the Diefenbaker regime. The Tories had been lobbying for a return of the program since the winter of 1969-70.

to bring it about.\textsuperscript{10}

It would be months before the employment impact would be felt on the economy. This would be too late to ease the "crunch" of winter unemployment.

\textsuperscript{10} Ibid., 16.
LIP 1971-72

There were only two new programs in the Finance Minister's October announcement: $20-million for a new on-the-job training program for youth and $100-million for a new LIP program. Both programs fell under the auspices of the Department of Manpower and Immigration. The original proposal for LIP stemmed from discussions that had taken place between Rod Bryden, the Executive Assistant to Otto Lang, the Minister of Manpower and Immigration and Cam Mackie in early September. Bryden was interested a new program that could be included in the series of employment creation measures that the Minister of Finance was expected to announce in October. The reviews of OFY were mixed. Bryden thought it might be possible to build on the perceived “strengths” of OFY for a winter jobs program. The program could provide work on projects that promoted “community betterment” and the development of new and innovative services. Mackie met with him on a Saturday afternoon and later drafted a one page proposal that Bryden was able to use to convince Otto Lang, the Minister of Manpower and Immigration to support the project.  

The Memorandum outlining the Special Employment Plan was presented to Cabinet at a meeting on October 13. The Memorandum described several themes that would be associated with the new LIP: (i) projects would have to make a contribution to the community and the needs of the people served; (ii) participation in the program would offer satisfaction to the persons involved over and above the income earned and (iii) the program would involve “novel” and “tested” features to encourage widespread participation. The memo was careful to distinguish LIP from “normal make-work or leaf-raking” schemes. The latter might present the government with less “political risk” but these programs would not provide the potential for “future application.” LIP would be a new way to create jobs and an acceptable means of income distribution. There was only one cautionary note. The government would have to guard against the potential for creating “dependency” in the

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11 Interview with Cam Mackie, February 1993.
development of new services. The Minister of Finance announced the program as part of the Special Employment Program the following day.

Additional criteria were laid out at the Committee on Economic Policy and approved by Cabinet on October 21. Eligible sponsors would include non-profit organizations, municipalities and Indian Bands. Work on the projects would have to take place between November 1971 and May 31, 1972. Projects had to include activities that promoted "community betterment." The work should be incremental without having inflationary effects. Wages would reflect the prevailing rate up to a maximum of $100 per week. Eligible participants would have to be considered active members of the labour force. This stipulation would not exclude Indians living on reserves (who would not necessarily be registered at the CMCs as looking for work) or potential day care workers.

According to the Cabinet document, allocations to the program were to be determined using the same formula that was developed for the Special Development Loans program to the provinces. In addition, there was the stipulation that 50% of the funds would be allocated to municipalities and another 50% to non-profit organizations. In the House of Commons, Otto Lang, the Minister of Manpower and Immigration, resisted pressures from T. C. Douglas, the leader of the NDP, to release any information about the allocation criteria for the program. The political strategy was to avoid making the allocation formula public.

Under intense political pressure to reveal how projects were being assessed, Lang released additional criteria in a press release on January 11, 1972. The decision to approve projects involved: the number of unemployed in the area of the project, the number and type of jobs created in relation to skills and experience of the unemployed, the potential value of the project to the community, and the participation of the unemployed in the development and operation of the project. A slightly higher value was given to projects which created jobs that were new to the community.

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13 NAC RG 118 ACC 86-87/ 319 Vol. 25 File 1-20-9 Pt. 1 Memorandum to Cabinet October 20, 1971 Special Employment Creating Programs: Local Citizen Groups Treatment of Youth.

14 The inclusion of municipalities was in sharp contrast to the criteria set out for OFY.


16 NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 General (71-72) Manpower and Immigration JCB LIP General (71-72) Letter to Mr. Z. Levine from Mr. E. Van Humbeck March 10, 1972 Re: Criteria on LIP grants statement attributed to Cam Mackie.
The "Philosophy" of LIP

It was clear from the outset that LIP would be assigned to Manpower and Immigration. The proposal was drafted by Cam Mackie and Rod Bryden and submitted to Cabinet by Otto Lang, the Minister for Manpower and Immigration. The program was modelled after OFY, but LIP was expected to be primarily an employment program to address high levels of unemployment during the winter months. The inclusion of LIP in the Special Employment Plan announced by the Minister of Finance meant that it was considered to be part of the government's economic stimulation measures.

Both Mackie and Bryden shared concerns about how the program would be administered at the Department of Manpower and Immigration. Although Manpower and Immigration was a relatively young department (established in 1966), the bureaucracy had a reputation for being more "conservative" and "rigid" than the bureaucracy at Secretary of State. The department had not participated in any of the participation initiatives under Pearson or Trudeau. In Mackie's view the success of OFY reflected the program's emphasis on community participation and innovation. This required a new approach to dealing with community groups. It was unclear if the bureaucracy at Manpower and Immigration would be willing to tolerate the "experiment" in participation and development.

In early meetings with the Deputy Minister, Mackie and Bryden were advised that the administration of LIP would have to fit within the traditional structure of the department. The implementation of the program would not be "as loose" as the program at Secretary of State. At the urging of both Bryden and Mackie, a decision was made to have the program

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17 NAC RG 6 ACC 86-87/ 319 Vol. 25 File 1-20-9/1 Pt. 1 Secretary of State Memorandum to Cabinet Special Employment Creating Programs: Local Citizen Groups and the Treatment of Youth This view was shared by the Secretary of State, Gerard Pelletier. On October 20th he submitted a $15-million proposal to continue with projects funded by OFY during the winter months. Pelletier maintained that Secretary of State should be responsible for any program targeting youth that was modelled after OFY. The department had "developed innovative programs for an age group that had traditionally resisted the established practices of Canada's employment policy.". This type of innovative programming was hard to integrate with the established practices at Manpower and Immigration but "flowed naturally" from the existing programs at Secretary of State. This request was turned down. Members of the Liberal Cabinet supported the view that a new fall employment program should fall under the auspices of the Department of Manpower and Immigration.

18 Interview with Cam Mackie, February 1993.
report directly to the Director General of Manpower Division. This would provide the program with more flexibility than would be the case if program officials were reporting through the existing Canada Manpower Centre structure.\textsuperscript{19} Work on the program began immediately following Cabinet’s approval in October. Bryden left the Minister’s office to become the first National Director of LIP. Mackie was recruited from his position at OFY to become the Regional Program Coordinator.

A meeting to discuss the new program was held with senior officials from a number of departments, including the Department of Regional Economic Expansion, NHW, Finance, Public Works, Labour, Canada Mortgage and Housing Corporation, Secretary of State and Urban Affairs on October 22. According to officials from Manpower and Immigration, the “thrust and the momentum” of the program depended largely on how quickly it could be mounted and projects authorized for contributions. Projects should reflect local needs and participation as fully as possible. This meant that they should “be inspired, mounted and managed” by organized persons and groups in the community. The local Canada Manpower Centres would be responsible for recruiting workers for the projects.\textsuperscript{20}

The “philosophy” of the program was described in another briefing paper for Manpower and Immigration officials on October 25. The paper described the “theoretical base” for the program. The emphasis on participation was based:

on the view that as society becomes more complex and sophisticated government is less capable of “solving the problems” of each individual. It is important to find new ways to create worthwhile jobs and provide an acceptable means of income distribution.\textsuperscript{21}

It was important to avoid creating dependency on government. There were two important principles underlying LIP: (i) the unemployed should be directly involved in the development

\textsuperscript{19} Ibid.

\textsuperscript{20} NAC RG 6/ ACC 86-87/ 319 Vol. 25 File 1-20-9/1 Secretary of State Letter from L. M. Couillard Deputy Minister Manpower and Immigration to Jules Leger Undersecretary of State October 18, 1971.

\textsuperscript{21} NAC RG 118 ACC 85-86/ 071 Vol. 112 File 3440-1 Pt. 1 General Manpower and Immigration JCB LIP General LIP, Paper prepared for background discussions with Manpower Officials (internal use) October 24, 1971, no author.
and management of projects and (ii) the government should limit its role to the provision of resources and information in such a way as “to achieve the most benefit for and the highest potential of individuals through support to local groups and communities.”

The introduction of LIP was as an “experiment”:

to test whether state intervention can take the form of supporting groups of unemployed or sub-employed individuals to seek solutions to their problems through the creation of projects, programs and enterprises in the public sector.

The government would fund LIP projects, but the relationship between the government and LIP sponsors would be arms-length:

we cannot consider these to be our projects, we do not have a supervisory role in the sense that we control them.

The description of participation bore a strong resemblance to the legacy of OFY and the other citizen participation initiatives introduced under Trudeau. The emphasis on employment and the creation of jobs marked an important shift in direction. LIP would provide funds to groups and organizations to develop programs and services, but it was primarily an employment program.

In a Memorandum to the staff of the department, the Assistant Deputy Minister described LIP as a “challenge for everyone of us.” The plan expanded the department’s role in job creation in a major way for the first time. This, combined with “a relatively difficult unemployment situation,” meant that the department and its staff could expect to be under considerable pressure.

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22 Ibid.
23 Ibid.
24 Ibid.
Program Administration

The administrative structure for LIP was modelled closely after the OFY program. Five regional desks were set up for the Atlantic provinces, Quebec, Ontario, the Prairies and the NWT, and BC and The Yukon. An executive board was set up to review projects over $75,000 and others that were considered to be “politically sensitive.” Membership on the Executive Board included senior officials from 11 departments.26 The final approval for projects rested with the Minister. Staff were recruited to assess applications and monitor projects. Most of them were young with some level of post-secondary education.

Applications were quickly drawn up and distributed through 400 Canada Manpower Centres and mailed directly using the mailing lists that had been put together at Secretary of State for OFY. The application forms stressed the role that “individual and collective initiative” was expected to play in the development of projects. Sponsors were encouraged to promote the direct involvement of the unemployed in the development and operation of projects. Eligible projects included services for children, the elderly and the handicapped; pollution and the environment; day care programs in their initial stages and storefront services that needed to be expanded or improved. Only two types of project were explicitly excluded: newspapers and projects that promoted “social animation.”27 The exclusion of these projects reflected the government’s experience during the summer with the Georgia Strait and Prairie Fire.

A number of strategic decisions were made about the types of projects that should be considered and/or given higher priority. From the outset it was clear that the program would fund “alternative” services. After the applications began to arrive, the Minister, Otto Lang, was consulted directly as to whether or not the program should fund three types of

26 The departments represented on the Executive Board included the Departments of the Environment, Labour, Urban Affairs, Manpower and Immigration, Treasury Board, NHW, DREE, CMHC, the Privy Council Office, the Department of Indian and Northern Affairs, Secretary of State and the Executive Assistant of the Minister of Manpower and Immigration.

27 NAC RG 118 ACC 85-86 Application Form LIP 1971-72.
services: day care centres, legal aid clinics and programs to Indian Bands.\textsuperscript{28} All three involved potential jurisdictional issues with the provinces and/or other federal departments. After consulting John Turner, the Minister of Justice, and John Munro, the Minister of NHW, Otto Lang agreed to proceed with all three types of projects. There were still concerns related to the potential for creating dependency on the federal financing, but the decision was taken to "prod" the provinces to take on legal clinics and day care centres.\textsuperscript{29} A third decision was made to allocate one third of LIP dollars to projects directly administered by Indian Bands. This was intended to bypass the approval process at the Department of Indian and Northern Affairs.\textsuperscript{30}

Applications were considered and approved on a first come, first serve basis. The first set of approvals were announced on November 24.\textsuperscript{31} A document on project monitoring was issued in mid-December. The purpose of monitoring visits was twofold: (i) to provide support and ensure that projects would be able to realize their goals and (ii) to verify that projects were engaged in the activities agreed to in the contribution agreement. There would be at least one on-site inspection of each project, but program officers were encouraged to visit more often. The check list for the visit stressed the role that project officers were expected to play in monitoring project finances.\textsuperscript{32}

While the design of the program was modelled after OFY, the rhetoric related to participation and the promotion of social change was considerably more muted. Promotional material and application forms stressed the role that community initiative would play in the program and sponsors were encouraged to promote the active involvement of the unemployed in the design of the projects. There was less discussion about the need to balance the interests of the newer, alternative services against more traditional organizations. The view was still prevalent that it was important to court "emerging" citizen groups. An early controversy emerged over the need to balance municipal versus non-profit organizations. Cabinet approval established a 50-50 split between the two types of projects. Program officials considered the proposals from the non-profit sector to be stronger

\textsuperscript{28} Interview with Cam Mackie, February 1993.

\textsuperscript{29} The NHW Demonstration grants had already begun to fund legal clinics and CAP contained provisions to support subsidized day care.

\textsuperscript{30} Interview with Cam Mackie, February 1993. According to Mackie, the decision to fund native projects was to prove to Indian Affairs that Indians could run things.


\textsuperscript{32} NAC RG 118 ACC 85-86/071 Vol. 119 File 3440-8-1 (1) Pt. 1 Letter to Regional Managers from R. Bryden National Director LIP December 14, 1971 Department of Manpower and Immigration.
and more "innovative."

The tighter administration reflected the emphasis on employment and the view of senior officials at Manpower that the administration of OFY had been "too loose" at Secretary of State. LIP still represented a new way of administering federal dollars at Manpower and Immigration. The primary focus of the department since its inception in 1966 was on training and the placement and information services at the Canada Manpower Centres. The department's experience with the Municipal Winter Works Incentives program in the mid-sixties was relatively short-lived. The bureaucracy had little experience in the area of job creation or working with LIP's sponsor base. The decision to create a separate structure within the Manpower Division of the department (apart from the CMC bureaucratic structure) was designed to accommodate the new dimensions of LIP. Bryden and Mackie set out to recruit staff who were young and had experience working with the new range of community groups.

Cabinet members weighed many of these considerations when the program was approved in October. The original proposal to Cabinet stressed that the emphasis on participation and innovation was "politically risky." The program was approved conditional on the exclusion of the types of projects that had caused controversy with OFY over the summer months. "Innovation" was encouraged, but not at the expense of funding partisan politics.

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33 Interview with Cam Mackie, February 1993.

Winter 1971

The response to the call for LIP applications exceeded the expectations of program officials. On January 11, 1972, Lang announced that the program would be allocated another $50-million for non-profit projects. Two days later Pelletier announced plans for a second summer of OFY. Applications were arriving for LIP at a rate of 150 per day. By the end of the month many applications was competing for the last dollars. The last approvals were announced on January 31. Out of a total of 13,766 applications (estimated worth $483-million), 5,600 were approved providing 92,000 jobs.35

Applications to the program from the non-profit sector out-numbered municipal applications by three to one. Internal memoranda suggest that there was a strong preference by most LIP staff for the non-profit sector projects. According to one memorandum, for example, municipal projects failed to display the “imagination” and “innovation” coming from the other sector. The Executive Board went so far as to recommend that LIP projects be restricted to the non-profit sector. Municipal projects could be channeled through DREE and administered through the Municipal Loan fund.36

The first media reports provided a mixed assessment of the program. A number of negative articles appeared in Western papers in December. At an Executive board meeting the same month Bryden indicated that neither he nor the Minister were apologetic about these reports. The Minister was committed to what he perceived to be a “daring” and “innovative” program and it was “to be expected” that this type of initiative would receive a certain degree of negative media.37

Another series of controversies emerged in January. Government members were

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embarrassed by the unexpected disclosure that a Toronto religious group, "The Satanists," received a grant of $25,900 from LIP. In the House of Commons, a government spokesperson assured the opposition parties that the unorthodox religious sect’s application was endorsed by the YMCA and the Ontario Ministry of Health. Critics were not swayed, however, as it was revealed that a similar project sponsored by the Salvation Army had been rejected. Later it was revealed that Pierre Vallières, a prominent member of the Front de Libération du Québec was discovered working on a LIP project in Mont Laurent. In a particularly acrimonious debate in the House of Commons over the Throne speech the leader of the opposition, Robert Stanfield, accused the Prime Minister of hiring his “FLQ friends” on LIP projects.38

In March the Toronto Sun launched a full scale attack on the program. The approach was similar to the position the paper had adopted against Company of Young Canadians and OFY. This time the paper quoted “a senior official” with LIP as having confirmed that preference was being given to groups that were committed to political and social change. Mackie denied the allegation in an internal Memorandum. The department’s response was to release a list of the more established organizations that had received LIP funds, including the East City YMCA, the Social Planning Council of Metro Toronto; Central Neighbourhood House and the Ontario Association for the Mentally Retarded.39

The Minister met with the first large delegation of community groups in January. The Front Uni of Montreal organized 160 people to meet with the Minister at the Conference Centre in Ottawa. The group complained about the assessment process and the types of projects that were being excluded. Of particular concern was the fact that a number of legal clinics in low-income areas had been rejected. Lang denied that political pressure had been

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38 Paul Stevens and John Saywell “Parliament and Politics” Canadian Annual Review of Politics and Public Affairs (1972) 13; 123. Vallière gave himself up to police on January 24th, spent a night in jail and was found a week later working on a LIP project.

39 NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 General (71-72) (1) Memorandum to Bryce Mackassey Minister of Manpower and Immigration from L. Couillard Deputy Minister March 8, 1972 Re: Examples of projects approved by LIP church and community groups.
involved in the turning down of any LIP projects. At the same time, he stressed that the emphasis of LIP was on employment creation, not the funding of specific types of services. At an Executive Board meeting in January, officials expressed concern that community groups would begin to think that they could “get the rules changed by the use of protest pressure.” Further demonstrations and sit-ins were anticipated at the Regional Offices of Manpower and Immigration in Montreal.

The meeting in Montreal proved to be the forerunner of several similar delegations that lobbied the Minister over the next few months. As the program came to a close in May, a series of demonstrations erupted in most of the larger urban centres across the country. In Toronto, LIP employees organized and held meetings. Over 2000 letters and telegrams were sent to Ottawa. Plans to fight for the extension began in the offices of The Storefront, a LIP project sponsored by the Metropolitan Toronto Social Planning Council. The project was mandated to look into sources of additional funding for Toronto LIP projects. A spokesperson for the organization described the tenacity of the group:

In a poor community people are used to losing, but LIP people are really different. These people are for the most part middle class and aggressive. They are not hampered by the idea that things can’t change.

Complaints that the government was “abandoning” LIP projects and services received widespread coverage across the country. In response the Minister announced that an additional $40-million would be allocated to the program. This meant that some projects would be continued until November 30, 1972. The extension would allow the government

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40 NAC RG 118 ACC 85-86/071 File 3440-8-1(1) Pt. 1 Manpower and Immigration JCB Main Excerpts from Otto Lang’s Meeting with the Montreal, Front Uni, at National Conference Centre, January 18, 1972 (Notes taken by Amedée Gaudrault).

41 NAC RG 118: 85-86/071/ Vol. 114/ File 3440-8-2(1) Minutes of Executive Board January 19, 1972

42 See for example NAC RG 118 ACC 85-86 Vol.112 file 3440-1 Pt. 1 General (71-72) Manpower and Immigration Telecommunication Message from Committee for Community Control of LIP Vancouver BC from Otto Lang Minister of Manpower and Immigration January 27, 1972. The committee wrote to the Minister with concerns that “grassroots organizations controlled by people,” were being excluded from participating in the program. The Minister refused to meet with them to discuss their concerns.

time to "review the program" and make a decision about its future the following year. While some groups continued to protest, the publicity over the program died down considerably over the next several months.44

**LIP’s Impact on Groups**

By the spring of 1972 the social service projects funded by LIP had developed a momentum of their own. While they represented slightly more than half of the overall projects, the social service projects dominated the public image of the program. In Toronto groups funded by OFY and LIP joined forces in a coalition called the Toronto Metro Working Group. The group represented 110 community service organizations. Similar organizations were forming in Montreal and Vancouver. The service projects viewed LIP as a much-needed source of funding, rather than a strict employment program.

The brief submitted by the Toronto Metro Working Group to the Minister on August 4 illustrates the concerns of this sector. The organization was expanding to form “a coalition of grass roots community services and organizations across Toronto.” LIP allowed these groups to create:

> the means of fully realizing the ideal of a program of community-generated services. We (the LIP projects) are the result of the community perceiving its own needs and meeting them directly.45

LIP should become a permanent program of the federal government. A number of changes to the eligibility criteria were recommended, including the elimination of the provision for letters of support, long-term funding should be available and the provision that the Department of Manpower and Immigration should become responsible for securing on-going funding from other departments and level of governments.46

LIP sponsors were not the only groups expressing concern about the impact of LIP

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44 Ibid.

45 NAC RG 118 ACC 85-86-071 Vol. 112 File 3440-1 Gen 72-73 Organization of LIP Projects in Metropolitan Toronto Brief Proposing Criteria and Recommendations for a permanent LIP.

46 Ibid.
and OFY on the service sector. In May, Mackie met with David Webb, the Secretary of the McConnell Foundation, a large charitable foundation in Montreal. Webb was concerned about the "growing side effects" of LIP and OFY. Both programs increased the competition for and the pressures on the resources of private foundations. After the meeting Mackie admitted in a departmental Memorandum that these were legitimate concerns. He recommended that more emphasis be placed on trying to secure funds for continuing projects from other departments such as Secretary of State, NHW and the Department of Justice.47

There were other concerns expressed about the impact that OFY funding was having on groups. On March 19, Rick Salter submitted a report commissioned by Cam Mackie entitled "A Report on the Effects and Consequences of OFY and LIP." Salter had been involved with SUPA and the CYC. His report praised OFY and LIP for allowing participants "to find ways to translate serious criticisms of Canadian society into projects and actions." There were three types of groups who participated in the programs: (i) established groups or institutions who used the program to finance new, experimental programs; (i) persons who used the grants to come together to create a project; and (iii) people who participated in projects without being originators or active members in the continuing definition of work.48

Salter's report was pessimistic about the ability of LIP to meet the needs of these three groups, especially the new service sector:

the kind of programme we really need in this country cannot be handled out of Manpower with its tight structures and history of failure. Innovative programmes require innovative structures not simply breathing room or tolerance.49

The types of alternative programs that should be supported, such as Cool-Aid and Inner

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47 NAC RG 118 ACC 85-86 Vol 114 File 3440-8-1(2) Manpower and Immigration JCB LIP Meetings, Conferences, Seminars General Memorandum to M. Desroches Deputy Minister Manpower and Immigration from Cam Mackie May 16, 1972 Re: Charitable Foundations.


49 NAC RG 118 85-86/071 Vol. 112 File 3440-1 Pt. 1 Gen (71-72) Letter to Cam Mackie from Rick Salter March 19, 1972. This is covering letter for the report referred to above.
City from Vancouver, needed a more secure base of funding. The grant year was not a full year. Two months were spent trying to prepare applications for grants. A large part of the problem stemmed from the different priorities assigned to each grant program:

Perhaps it has been naive to expect that the government will finance alternative institutions which service the needs of the community and oppositional groups, and young people. Their structures, work methods and values do not correspond to acceptable models. They represent a whole new kind of social service organization.\(^{50}\)

The cost to the government of supporting these new services involves long-term financing and "the freedom to get on with the work that was proposed."\(^{51}\)

The main criticism of LIP in Salter's report, was its failure to contribute to economic growth. The program did not support efforts for groups or individuals to become economically self-sufficient: there was no training in the area of marketing or for competition for existing business ventures. As a result the program reinforced the marginal status of the people who participated in them. The only real employment sector under the program was the service sector. In the long run, if job creation programs were not delivered in the context of an overall strategy to increase jobs in the private and public sector, unemployment would simply increase. As a stopgap measure, LIP was not a particularly effective method of funding services or creating jobs.\(^{52}\)


\(^{51}\) Ibid., 6.

\(^{52}\) Ibid., 17-22.
Summer Review 1972

An informal review of LIP was conducted at the Department of Manpower and Immigration during the summer months of 1972. There was no legislation involved with the program but Cabinet had to make a decision in late August as to whether or not the program was going to be renewed. There was already a precedent established with the approval of a second summer of OFY in 1972. Officials with the program considered LIP to be a qualified success. The additional funds assigned in May brought the total allocation for LIP to $190-million. Only nine projects had been terminated five for fraud and four because of mismanagement of the sponsor.53 The evaluation report indicated that over 70% of the participants would have been living below the poverty line if one member of their household had not been working on a LIP project.

There were still a number of problems. From the outset Cabinet members had expressed concern about the potential for creating a dependancy on federal funds. The decision to fund “new” and “innovative” services was, in large part, an attempt to prod the provinces and the more established service organizations to introduce new programs. Moves in this direction had already created a rift with the provinces and more established organizations. An internal memo identified a number of concerns that would have to be addressed if LIP was funded for another year: (i) the political pressure levied by community groups; (ii) provincial demands for consultation; (iii) criticism that the projects were merely “make-work”; and (iv) the allegation that the program targeted “social change” groups. The spring extension may have set a difficult precedent. The program was supposed to address “seasonal unemployment” in the winter months. Now there was a danger that it could become a year round program. More serious was the concern that community sponsors had been given a signal that the government was willing to bend to public pressure by increasing funds and extending projects.54

53 NAC RG 118 ACC 85-86/071 Box 112 File 3440-1 Pt. 1 General (72-73) (2) Notes for a Statement by the Minister of Manpower and Immigration, Robert Andras, Ottawa, December 1, 1972.

For some officials, the political organizing of the LIP sponsor base was a positive consequence of the program. At the request of the Minister’s office, Mackie attended a meeting organized by the Metro Working Group on August 31. Over 300 representatives from 100 projects attended the meeting. The groups wanted the federal government to make LIP a permanent program. Mackie countered with the explanation that LIP’s first priority was to address unemployment, not fund alternative services. Mackie described the meeting as a “success” in an internal Memorandum. It was the first time that many of the people present had “spoken out” and there was:

a high degree of earnestness on the part of those present to continue to provide for their various services to the community.\(^{55}\)

That the groups were organized and willing to lobby the government was an indication that the “societal objectives” of the program were being met.\(^{56}\)

Others in Cabinet were less enamoured with the public image of the program and the potential for controversy. At their meeting in August, Liberal Cabinet Ministers agreed to another term of LIP under two conditions: (i) the program would be “better targeted” at the unemployed and (ii) there would be more consultation with the provinces. The 1972-73 program would give preference to participants receiving unemployment insurance or social assistance. This change was directed at the accusation that the program was reaching middle class youth and professional “activists.” There was also concern that the program was drawing people into the labour market and by doing so was increasing the official number of unemployed at the end of the program.

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\(^{55}\) NAC RG 118 ACC 85-86/071 File 3440-8-1 (1) Manpower and Immigration JCB Memorandum to J. M. Desroches Deputy Minister from Cam Mackie Director Special Programs Branch Manpower and Immigration September 1, 1972 Re: Meeting with organization of LIP projects in Metro Toronto.

\(^{56}\) Ibid.
LIP and Unemployment Insurance

The issue of increased targetting in LIP was tied to the debate that was brewing over unemployment insurance. Changes to the Unemployment Insurance Act were introduced in June 1971 by the Minister of Labour, Bryce Mackassey. The original plan to reform unemployment insurance was part of the Privy Council discussions during Trudeau’s first year in office in 1968. A white paper entitled Unemployment Insurance in the 1970s was released in June 1970. The paper advocated a number of reforms including a significant easing of the qualifying conditions and an increase in the benefit levels. The legislation that was introduced in 1970 made the Canadian program one of the most generous in the industrialized world. To get the legislation passed Mackassey fought tenaciously against the concerns of the Department of Finance and business.57

The changes to unemployment insurance were directed at three main objectives: income security reform; economic stabilization and labour market performance. The reform proposal was attractive to Cabinet because it was consistent with the “Just Society” promise of the 1968 campaign and was considered to be less expensive than the proposal for a Guaranteed Income Plan. Mackassey argued that the plan would cost the government relatively little. As long as the average rate of unemployment was below 3.5%, all the costs of the program would be covered by employer and employee contributions. This last provision reflected Mackassey’s disdain for the Finance Department’s decision to fight inflation at the expense of unemployment in 1968-69.58 The Minister assured critics in the business community that the cost of the unemployment insurance scheme would be relatively low because the Department of Finance had the macroeconomic tools to generate


employment.\textsuperscript{59}

The legislation was the subject of considerable controversy from the outset. The new benefit provisions took effect in January 1972. By August 1972 it was clear that the costs of the program exceeded the original projections. By targeting unemployment insurance recipients, the rationale was that LIP could help reduce the absolute number of people receiving benefits and therefore lower the costs of the program. The emphasis on unemployment insurance claimants was the subject of considerable discussion among senior program officials with LIP. Officials were concerned that the new emphasis on unemployment insurance claimants and social assistance recipients would exclude status Indians (who were unlikely to be registered at CMCs) and women. A Memorandum was sent out from headquarters in August advising that project officers were to keep these groups in mind when doing assessments and supervising the hiring on projects.\textsuperscript{60}

There was considerable debate on this issue again in September and October. Staff attending a LIP Coordinators’ meeting in late September were opposed to the tighter restrictions on the program. The main criticism was that it would exclude groups not officially registered as unemployed and looking for work at the Canada Manpower Centres and others who did not receive some form of income assistance. After considerable lobbying of senior officials with the Department, it was finally agreed that there would be considerable flexibility in interpreting the criteria related to unemployment insurance and social assistance. The Deputy Minister, Jack Desroches, cautioned senior officials against having this

\textsuperscript{59} Ibid., L. Pal, \textit{State Bureaucracy and Class: Canadian Unemployment Insurance and Public Policy} (Kingston: McGill-Queen’s, 1988) 44. See also “Mackassey denies jobless insurance setup is a rip-off.” (Toronto Star January 10, 1973) Mackassey reinforced the view that the level of unemployment could be controlled (and therefore the cost of the unemployment insurance scheme) in this media interview. The Economic Council of Canada forecast a rate of 4 to 4 1/2\% for 1973: “if the mandarins at the Department of Finance are unable to recommend the proper mix of policies to achieve this level of unemployment, then Canadians will exercise their democratic right,”

\textsuperscript{60} NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 General (72-73) Memorandum to J. Desroches, Deputy Minister, Manpower and Immigration. From: C. Mackie, Re: LIP & Native Participation.
concession publicized outside the department. This conversion reflected the influence of the middle management and line staff and their resistance to efforts to conage the terms of the program.

**LIP 1972-73**

The Minister of Manpower and Immigration, Bryce Mackassey, made two announcements related to LIP in September and October. The first announcement granted an interim extension to projects that were expected to conclude on September 30. There was no guarantee that these projects would be funded under the 1972-73 program, but they were given a brief respite to the end of November. The Minister announced the new LIP program for 1972-73 on October 4. The Minister’s press release stressed the fact that the government would be providing $85-million for projects that would provide jobs and community services. This was $15-million less than the program had received under the first round of announcements the previous fall. Projects could begin as early as December 1, 1972, and end by May 31, 1973. The projects that were extended to November 30 would be considered for the new program, but they would not receive any special preference. Examples of eligible projects included storefront developments, social services, environmental projects, cultural and social organizations and housing projects. There was a new handbook available to potential sponsors that outlined how to organize, handle payroll, and accounting.

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61 To follow this debate see: NAC RG 118 ACC 85-86/ 071 Vol. 112 File 3440-1 Pt. 1 General (72-73) Manpower and Immigration JCB General (72-73) Memorandum to J. Desroches Deputy Minister Manpower and Immigration from Cam Mackie Director Special Programs Branch Re: LIP Criterion #6 Working Poor; Memorandum to J. Desroches from D. Treheanne Assistant Director LIP October 19, 1972 Re: LIP Criterion #6; Memorandum to the Minister from J. Desroches Deputy Minister Department of Manpower and Immigration October 20, 1972 Re: LIP Criterion. Premier Robert Bourassa from Quebec had also complained about the tighter criteria in a Memorandum to the Prime Minister. See Letter to Prime Minister Pierre Trudeau from Premier Robert Bourassa October 6, 1972.


The new list of eligibility criteria included a number of changes that were negotiated with Cabinet Ministers and members of the Liberal caucus before the announcement. Project sponsors were directed to hire persons receiving unemployment insurance and social assistance. The maximum contribution for each project would be $200,000, compared to $500,000 the previous year. Sponsors were required to include letters of support from established groups with their applications. The intent was to try to limit the number of controversial projects by forcing groups to solicit community support before making an application.\textsuperscript{64} In an effort to appease the provinces, an additional stipulation was made that projects with activities that were expected to continue after May 31 would have to demonstrate that they had concluded arrangements for continued financial support from alternative sources.\textsuperscript{65} The main emphasis of monitoring would be on improved financial control of the projects.\textsuperscript{66}

Two other changes designed to address the political sensitivity of the program were not made public. In response to a request from the Royal Canadian Mounted Police, all applications for 1972-73 would be reviewed by an officer with the security services. There is little evidence that this provision was designed to hold back approval of individual projects. The review was intended to keep members of the RCMP "abreast" of the activities of particular project sponsors.\textsuperscript{67}

A second provision ensured that "politically sensitive" projects would be reviewed by the Executive Board. Projects would be referred to the Executive Board that had:

(i) political implications such that the project was designed in a way to enhance or attack

\textsuperscript{64}This was the same provision that was included in the 1972 OFY program.

\textsuperscript{65}NAC RG 118 ACC 85-86 071 Vol. 114 File 3440-8-2(1) Pt. 1 Manpower and Immigration JCB LIP Meetings, Conferences, Executive Board Memorandum from W. MacDonnell to J. Weymark, J. McIsaac, G. Grant November 30, 1972 Re: Executive Board Meeting; See also RG 188 Acc 85-86 071 Vol. 112 File 3440-1 Gen (72-73) Department of Manpower and Immigration LIP Criteria 1972-73 September 5, 1972.


\textsuperscript{67}Interview with Cam Mackie, February 1993.
a political party, group or level of government or;

(ii) social implications including projects that were considered "social unpalatable and unacceptable to the general public or projects which contain emotional overtones. This included "any project which could trigger widespread public reaction."  

This definition made more explicit the practice that had already developed under the 1971-72 program. The Minutes of the Executive Board meeting in November indicated that the Board was "adverse to projects proposing to set up newspapers for editorial comment," but they would consider projects that provided "strictly information."  

One indication of the tone that was expected to be set by these changes was the appointment of the new Director in August. Larry Davies was a former computer salesman with an undergraduate degree in Commerce. Before taking the position with LIP, he was the Director of the Finance and Administration Branch of the Department of Manpower and Immigration. Davies was the second Director of the program in two years and had little experience in community work or organization. Unlike Bryden or Mackie he was not considered to be part of the "new breed" of civil servants that dominated at OFY and the

\[\text{NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 Pt. 1 General (72-73)(1) Manpower and Immigration JCB General (72-73) Memorandum to Regional Directors General from Larry Davies Re: LIP Implementation October 5, 1972. The Memorandum defined the types of "politically sensitive" projects that should be referred to Davies as the National Coordinator of the program. The same criteria was used by the Executive Board for reviewing projects.}\]

\[\text{Ibid.}\]

\[\text{NAC RG 118 ACC 85-86/071 Vol. 114 File 3440-8-2 (1) Pt. 1 Manpower and Immigration Job Creation Branch LIP Meetings, Conferences, Executive Board, etc. Memorandum from W. M. MacDonell to J. Weymark, J. McIsaac, G. Grant November 30, 1972 Re: Executive Board Meeting This last criteria was similar to the provisions introduced at OFY to address the problems with Prairie Fire and the Georgia Strait.}\]

See also NAC RG 118 ACC 85-86/071 Box 112 File 3440-1 Pt. 1 Memorandum to the Minister from J. Desroches Re: LIP Social Animation and Newspaper Projects December 1, 1972. In a Memorandum to the new Minister of Immigration, Robert Andras, in December the Deputy Minister described the rationale for these restrictions: "both social animation and newspaper projects have very great political/social sensitivity since both are concerned with the propagation of ideas and concepts... public reaction or espousal of such ideas could jeopardize the basic objectives of the program."
front-line of LIP.\textsuperscript{71}

The fall was expected to be tense. There was less money available and the program was expected to finance a larger number of projects targeting the "disadvantaged."\textsuperscript{72} In November Larry Davies assured LIP staff that, despite the tighter restrictions and decrease in the amount of funds, the basic philosophy of LIP was still intact. LIP was different from other employment programs. It was "highly unstructured" and there was still an emphasis on creativity and imagination. The objective of the program was not restricted to stimulating national employment. LIP was designed to encourage and support the unemployed in developing a "new means of meeting the needs of themselves and their communities."\textsuperscript{73}

**Minority Government**

The results of the fall election had a major impact on the Liberal government’s policy agenda. The Prime Minister called the election in mid-September. Issues related to the state of the economy, unemployment and inflation dominated the campaign. As the election heated up, the Labour Minister, Martin O’Connell, conceded that the policies of the Liberal government were "partly to blame" for the unemployment figures: "but the worst was over." In October, Trudeau admitted that he was “puzzled” by the 6.9% unemployment figure. In an unprecedented development the Toronto Star (a long-time supporter of the Liberal Party) denounced the Liberal’s “insensitivity” on the question of unemployment and announced that


\textsuperscript{72} NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 Pt. 1 General (72-73)(1) Manpower and Immigration JCB General (72-73) Memorandum to Directors General from Jack Best ADM (Operations) Manpower and Immigration October 10, 1972.

\textsuperscript{73} NAC RG 118 ACC 85-86/071 Vol. 112 File 3440-1 Pt. 1 General (72-73)(1) Manpower and Immigration JCB General (72-73) Memorandum to Regional Directors General and Regional LIP Coordinators from Larry Davies, National Director, LIP November 6, 1972 Re: Philosophy of LIP.
it was supporting the Conservatives on October 21. The next day the Liberals lost their majority, winning only two seats more than the Progressive Conservatives who had fought a tenacious campaign on the issue of the economy. In the wake of the election, the balance of power swung to the NDP.

The Liberal losses were attributed to a number of factors. Public opinion studies conducted during the campaign revealed that unemployment, inflation, and the economy were important issues for the electorate. There was a lingering view among many that the government's attempt to manipulate economic policy to fight inflation was responsible for rising levels of unemployment. The results appeared contradictory. On the one hand, the gains made by the NDP reflected the success of their attack against the Liberal's corporate tax changes. Many Liberal activists and defeated MPs, however, interpreted the loss as part of a wider backlash against the government's official stance on bilingualism and its social reform legislation, particularly changes to Unemployment Insurance and immigration policy.

Programs like OFY and LIP were included in the list of social programs that had a negative impact on the Liberal campaign. In his review of the election John Meisel described OFY and LIP as "bold and innovative" programs that:

became an electoral liability not so much because of what they were but because they were not made acceptable and were thus permitted to contribute to the impression that many had, that of the government as an inefficient

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78 Peter Desbarats, “Unfolding but upside down,” Vancouver Sun, May 4, 1973 Trudeau outlined these concerns in a speech to members of the Liberal Party at a meeting at the Hotel Vancouver on May 3, 1973. He attributed the losses to four policy areas welfare, unemployment insurance, LIP and OFY and immigration.
organization spending public funds on mindless and even dangerous schemes of the young and for dangerous people.\textsuperscript{79}

Ostry makes a similar assessment of the impact of the election on OFY and other participation initiatives at the Department of Secretary of State. The minority Liberals "woke up after the election with the hangover of a minority administration." The dollars for participation subsequently "dried up."\textsuperscript{80} Unemployment and job creation maintained a high profile in the wake of the election, but Party activists advocated a more "pragmatic" approach to politics during Trudeau's second term.\textsuperscript{81}

An immediate fall-out from the election was the resignation of Mackassey from the Manpower and Immigration portfolio. During the election, his unemployment insurance reforms had been the subject of considerable debate. Critics charged that the reforms were "too generous" and a "major drain" on the federal treasury. Early in October Mackassey released figures confirming that the Unemployment Insurance plan had a deficit of $544-million. The Tory leader, Robert Stanfield, was particularly tenacious in attacking the Liberal's fiscal record and management of unemployment insurance. Mackassey provided a valiant defence of the unemployment insurance changes but the reforms were blamed for the Party's defeat at the polls.\textsuperscript{82}

The new Minister was Robert Andras, the MP for Thunder Bay. Andras owned and managed a car dealership before he was elected in 1965. He was passed over in the first Trudeau cabinet but was considered to be an outspoken and competent parliamentary secretary. He was well respected on both sides of the House of Commons and served as the anglophone co-chair of the Liberal's election campaign in October. The appointment to the Department of Manpower and Immigration was considered a reward for his loyalty and work during the election.


\textsuperscript{80} B. Ostry, \textit{The Cultural Connection}, 118.

\textsuperscript{81} See C. McCall-Newman, \textit{Grits}, 147-152.

\textsuperscript{82} C. McCall-Newman \textit{Grits}, 361-366.
LIP Under Siege: The Provinces and The Sponsors

It was not long before LIP was in the news again. In November provincial welfare ministers attending a conference in Victoria accused the federal government of initiating special social service programs and then abandoning them to the provinces. The Ministers from Ontario, Saskatchewan, Manitoba and BC were particularly vehement about their dissatisfaction with OFY and LIP.83 These governments were the target of public demonstrations over LIP services in the spring. Alex Taylor the Minister of Welfare for Saskatchewan summed up this view:

It just doesn’t seem reasonable that a senior government should start something and then expect a junior government to pick up the tab for it.84

Social policy was the stumbling block which prevented acceptance of the Victoria Charter in 1971. Quebec rejected the constitutional package because of its failure to ensure provincial dominance in the area of social services.85 By November 1972, the historical pendulum in federal-provincial relations had swung dramatically to the side of the provinces. Faced with restraints on expenditures and rising unemployment, more provinces were sympathetic to Quebec’s position and the possibility of raiding the federal treasury. At the conference, the NDP government from British Columbia promoted a bold paper on social assistance policy that proposed “guaranteed jobs and guaranteed incomes.” The BC White Paper recommended that the federal government turn over large amounts of federal dollars to the provinces to create “socially profitable jobs.” In a joint communiqué released at the conference, the Ministers agreed that the provinces should have the option to administer family allowances programs, training programs, increased labour mobility programs and


84 “Provincial Ministers Attack Abandoning by Ottawa” Victoria Times November 29/72.

85 Quebec’s position on provincial primacy vis-à-vis social services can be traced to the Lesage government in the early sixties. In 1965 the provincial government launched its own commission into health and welfare programs. In 1969 Quebec adopted its own family allowance system which supplemented the federal program. Most of the recommendations for change from the Castonguay Report were incorporated in the Quebec government’s stand at the Victoria Conference in June 1971.
work incentives. These programs were "the tools required to combat poverty at the provincial level." 86

The government faced another round of demonstrations and attacks in the media over the potential demise of LIP-funded services. Projects that received extensions to November 30 were eager to hear of their approvals for the 1972-73 program. The 1972-73 LIP projects were supposed to begin on December 1 but at the end of November, there was still no indication of when the next round of approvals would be announced. After a day of talks with Manpower officials in Ottawa a spokesperson for 60 LIP projects in Toronto accused the program of "creating unemployment" with its "on-again, off-again" policies:

The projects build up constituencies and then they are wiped out . . . Every time a new deadline rolls around, there are thousands of people out of work, and a whole new group looking for jobs with LIP projects. 87

At the base of this conflict was the ad hoc nature of LIP. Speaking to a group of volunteer agency workers the new National Director, Larry Davies, admitted that LIP had "created monsters . . . good projects that had grown." LIP was still essentially an employment program. The federal government was not willing to accept permanent responsibility for the "social needs uncovered by LIP." 88

The debate over LIP funding was particularly strong in Quebec. Organized protests by groups representing day care projects dominated the press coverage over the November 30 deadline. Quebec was one of only two provinces that had not taken advantage of provisions under the Canada Assistance Plan to extend day care. The 1966 Canada Assistance Plan provided cost-sharing arrangements for day care expenditures including subsidies to non-profit and commercial service providers. Despite the increased demand for female labour and a general modernization of Quebec culture during the Quiet Revolution there was little public support for government-sponsored child care. The province was in the


88 Ibid.
process of revamping its health and social services system, but according to the Health and Social Services Minister, Claude Castonguay, day care was not a provincial priority.  

From the late sixties on, the push for change in the field of day care came from community groups associated with the popular democratic movement in Montreal. These groups had organized cooperative-modelled daycare centres in the impoverished inner city areas of Montreal. In 1971-72, LIP funded approximately 20 centres organized by Les garderies populaires, a group of parent-run cooperatives that were concentrated in downtown Montreal.

The day care projects were at the heart of a dispute between Quebec and the federal government over LIP. In a Memorandum to staff in August 1972, the new Director, Larry Davies, advised that day care projects would be an exception to the rule that only projects with activities ending May 31, 1973, could receive LIP support. He described the day care projects as:

a demonstration of what can be shown to municipalities or provincial governments as warranting continuing support from them after LIP grants cease.

In a concession to Quebec later in the month, federal officials added the stipulation that projects funded under LIP in 1972-73 would have to be licensed by appropriate provincial authorities.

The Montreal day care centres were caught between this rule and the provincial regulation that day care centres had to have a guaranteed source of income to qualify for a permit. A major demonstration was organized by this group on November 30. Organizers


90 Ibid.

91 NAC RG 118 ACC 85-86/ 071 File 3440-8-1(1) Pt. 1 Manpower and Immigration LIP Meetings, Conferences, Seminars Notes on Meeting of LIP Regional Officers September 21, 1972.
targeted both levels of government in their protest. Protest organizers claimed that they had applied for provincial permits but had not received a response from the Quebec government. They also had harsh words for federal LIP officials. Throughout the ten months of operation, the LIP project officers had not expressed interest in the quality of the programs:

Now immediately after the election, LIP has refused to extend further funding to these centres using the pretext that they do not have permits to operate from the Minister of Social Affairs. The demonstrations received favourable coverage in the Montreal media. Quebec government officials agreed to meet with the groups after several hundred unemployed day care workers staged a four hour sit-in at the provincial Social Affairs department office in Montreal. Within days the province had approved the list of Montreal LIP projects and eliminated the stipulation of guaranteed funding.

Protests were organized in other parts of Montreal, Vancouver and Toronto throughout most of December. Groups were particularly active in Montreal. Twenty-two projects from Pointe St. Charles, representing over 275 workers, were still waiting for news of their project approval on December 8. On the 12th over 150 members of the Greater Montreal Anti-Poverty Coordinating Committee staged a sit-in at a Canada Manpower office.

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93 “Chaos as day care grants lifted: 200 Staff at 20 Centres out of work,” The Gazette, December 6, 1972. The critique that LIP was more concerned with financial monitoring than “quality control” was a frequent criticism levelled at the program from the service sector. This was in direct contrast to the critique of the program from officials at Treasury Board and the Auditor General that stressed the need to tighten up the financial administration and monitoring of projects.

94 For an example of the positive reception in the media see “Day care Centres” Editorial The Gazette. The editorial describes the refusal to authorize LIP for the 20 day care centres as “a ridiculous state of affairs.”

to protest cut-backs in LIP grants. In Toronto, members of the Metro Working Group occupied the offices of a Liberal MP to protest the government’s failure to grant approvals. While the larger demonstrations received national press coverage, projects in smaller centres received local coverage about the uncertainty governing their projects. MPs were deluged with calls from local sponsors demanding information about their particular projects.

An internal Memorandum in mid-December indicated that this pressure from the LIP sponsor base was making the Minister “uneasy” about the program. To reassure Andras, the Assistant Deputy Minister, Jack Manion, sent him copies of the revised criteria for 1972-73 and an outline of the approval procedure. The Memorandum stressed the role that increased financial monitoring was expected to play. A few days later the Deputy Minister, Jack Desroches advised the Minister that there were plans in place to review the future of the program. A paper was promised for early spring.

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96 “Province to meet Day care workers: four hour Montreal sit-in gets results” The Gazette December 12, 1972; J. Desrocher “Occupation du bureau de l’assurance chomage, dan l’est” La Presse December 13, 1972


98 See NAC RG 118 ACC 85-86/071 Box 112 File 3440-1 General (72-73)(2) Memorandum to Robert Andras Minister of Manpower and Immigration from J. Manion ADM Manpower Re: LIP December 15, 1972; Memorandum to J. Desroches Deputy Minister Manpower and Immigration from J. Manion ADM Manpower December 15, 1972; Assessment Approval Process December 15, 1972; LIP Criteria 1972-73, September 1972.
Winter Employment Plan 1972-73

Attacks on the government for its handling of unemployment continued throughout most of December. The federal government introduced a number of measures to try to ward off this criticism in the period before Parliament resumed on January 4. Both opposition parties were adamant that they expected the government to act on the problem of unemployment. The Liberals were interested in courting support from the NDP in exchange for their anticipated support of the budget planned in February. Andras was already under attack in the House of Commons over the government’s policy on immigration and unemployment insurance. The Minister defended his predecessor’s record on UI and blamed the failure to forecast the record cost of the program on an “extraordinary combination of circumstances” that included a dramatic change in policy, administrative changes and relatively high rates of unemployment. 99

On December 2 Trudeau announced plans to combine an extension of LIP with an intensification of the traditional manpower programs associated with the standard “pump-priming” of the economy. Trudeau made the announcement at his first public appearance since the election. Speaking to a meeting of 1500 Liberals in Regina Trudeau outlined the course the government would have to follow to prove it had “learned the hard lesson” of the October 30 election:

the coming months and weeks must be used by us to show the Canadian people that we have understood what aspects of our administration they have rejected. 100

The election was lost, in part, because of the poor administration of government programs. The government had also misjudged the backlash against bilingualism.

To address these issues the government planned to introduce a package of specific job creation programs aimed at winter unemployment and legislative changes to stop the abuse of unemployment insurance. The government’s new Cabinet was given a mandate “to

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100 “PM Pledges Major Winter Job Program” Winnipeg Tribune December 2, 1972.
come to grips" with the economy and deal with the problems of unemployment and inflation. The government also planned to "tighten up" the administration of immigration and regional development incentives. Writing in the Toronto Star, Peter Desbarats described the Prime Minister's speech as a "strategic retreat." The Prime Minister admitted that the government had "sinned on the side of over tolerance."\(^{102}\)

There was more damaging news when Statistics Canada released its monthly report on December 5. The unemployment rate declined to 6.6% in November, down from 6.9% in October and 7.1% in September. The rate for November was still the highest rate recorded for this month since 1960 (when it was 7.1%).\(^{103}\) In the House of Commons, Robert Stanfield, the Tory leader of the opposition, argued that the government should launch a winter works program in cooperation with the provinces and introduce a program of stimulative tax cuts and incentives for job creation in small businesses. The NDP leader, David Lewis, called for a full scale public works program that would involve a massive national house building and construction program to reduce unemployment by 4%. This would allow employer-employee contributions to cover the cost of UI benefits. The "real problem" facing the country was a lack of jobs, not the high rate of unemployment insurance benefits. The Canadian Labour Congress demanded that the government embark on a major job creation program.\(^{104}\)

The Ministers of Finance and Manpower and Immigration held a joint media conference the same day to announce $500-million would be allocated to a new Winter Jobs Expansion program. The announcement covered four programs: (i) an additional $80-million

\(^{101}\) Ibid., See also "Millions Vow To Make Jobs," Victoria Times, December 2, 1972; "PM Heralds Job Plan and National Policy," Regina Leader-Post, December 2, 1972.


\(^{103}\) "Unemployment Rate Shows Improvement," Edmonton Journal, December 5, 1972.

for LIP; (ii) an increase of $10-million for the Department of Manpower and Immigration’s on-the-job training program; (iii) $60-million to finance “work and activities” by federal departments under the Federal Labour Incentives Program; and (iv) $350-million for a special provincial-municipal winter capital project fund that would provide loans and grants to finance new capital works projects during the winter months over the next three years.105

The keystone of the package was the winter capital projects fund. The bulk of these funds was allocated as grants and loans to the provinces and municipalities to help finance local services, repair and maintenance projects. According to the new Minister of Finance, John Turner, the program was based on a study of the previous winter’s program and shaped to reflect the views of provincial and municipal authorities. $350-million would be allocated over a three year period to provide loans directly to the provinces and municipalities. The three year commitment was intended to address the need for longer planning period for major capital works. 50% of the on-site labour costs incurred before the end of the program would be forgiven automatically. The other half of the labour costs would be forgiven if incurred during December 1 and May 31. The program would extend to May 31, 1975.106

Turner defended the late timing of the announcement. Officials in Finance did not detect the slowdown in the economy until the third quarter of 1972. While regretting the delay, the Finance Minister was confident that the three levels of government would be able to move quickly to get projects underway. The three year allocation was intended to address the problem of longer-term planning. Job creation programs were not intended to solve the unemployment problem: “even with $500-million and the best intentions,” there were “limits to capacity” of direct measures to cut winter employment.107


106 J. Lewington “How Ottawa Spreads its bets: Its a Four way split for money to create jobs” Financial Post February 24, 1973

Andras, too, cautioned that the federal government could not fund job creation projects forever. LIP projects that created a dependency on the federal government must be forced to look for alternative financing. The Minister defended the emphasis on social assistance and unemployment insurance recipients:

Canadians want a chance to work... this new program will provide an opportunity for many people who now are drawing benefits to make an active contribution to the country.¹⁰⁸

There were three main reasons for the increased targeting of the program: (i) the government was concerned about the potential for increased cheating on unemployment insurance; (ii) there was a need to “tighten up on welfare” (which was funded 50% by the federal government); and (iii) LIP provided the means to lower the unemployment rate.¹⁰⁹

Andras announced a number of additional changes that were planned for the 1972-73 LIP program. A special $10-million fund was allocated for a pilot program to allow the private sector to sponsor non-profit activities. The money was given to businesses as grants to subsidize the costs of wages for laid-off workers. There were also plans to develop an entrepreneurial program under LIP that would allow non-profit projects to produce goods and services and become more self-sustaining. Plans were underway to fund a Local Employment Assistance Program (LEAP) that would provide three year funding for projects to employ the “chronically unemployed” and “disadvantaged.”¹¹⁰

The Winter Employment Plan received considerable coverage in the media. Most of the criticism focused on the amount of money and the proposal for winter works. The total spending on job creation programs in 1971-72 was $300-million. With this announcement, the Liberals were only raising the total amount for job creation measures by $50-million. The NDP charged that the program was a “pallid announcement” which would not go far enough to help municipalities finance capital projects in the winter months.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ “LIP enlists businesses” Ottawa Citizen December 7, 1972
The Tories accused Trudeau of “flip-flopping” on the issue of winter works. For two years the Prime Minister had insisted that the old approach to winter works was “discarded” and “discredited.” Trudeau’s reversal was further evidence that the opposition had been right on this issue. Media reports also traced the connections between the current $350-million loans program and the Municipal Winter Works Initiatives plan that was cancelled in 1968.111

There was less attention directed at the increase of funds to LIP. Several editorials accused the programs of being a “disguised form of welfare” and “welfare” and “non-productive work.” There was little doubt that the increased funds for job creation were tied to the election results:

this use of public funds was one of the reasons for the minority government verdict on October 30th . . . to appease the outraged voters the government has hastily come up with a promise of a huge winter works program which could cost half a billion dollars.112

Others accused the federal government of funding “social change” groups. The Toronto Star editorial claimed that it was time that the government ended its “facile optimism” and recognized that an end to unemployment was not “around the corner.” The government needed to consider a more aggressive program to move workers to available jobs.113

The provinces were concerned that the proposal for the loan program was too late. In July the provincial Premiers had asked Ottawa to announce the programs in late summer. Ontario unveiled plans for a $50-million winter works program in early December.114 Bill Davis, the Ontario Premier, was outraged that he was only advised of the Prime Minister’s intention to announce the Winter Employment Plan the day before the announcement. Other


112 “Winter Works” editorial The Gazette December 11, 1972


114 “Quebec gets third of winter works cash” Windsor Star December 7, 1972.
provinces shared Ontario's concerns about the timing but welcomed the initiative. Alberta announced plans to contribute $12-million to a winter works initiative. Nova Scotia followed suit with a promise of $2.3-million.\textsuperscript{115}

**Job Creation and Healthy Revenues**

There is little doubt that the announcement of the Winter Employment Plan reflected the results of the election and the opposition's increased pressure on the government "to do something" about unemployment. None of the measures in the plan were new. The Tories took particular delight in laying claim to the idea of municipal winter works initiatives and accused the government of waiting "too long" to introduce the program. In the aftermath of the election the Liberal Cabinet was interested in courting approval from the NDP in exchange for support on the budget planned for February 1973. The decision to increase funds for job creation was designed as part of a more expansive macroeconomic strategy to stimulate the economy and create jobs.

It is significant that plans for the capital loans program were developed by officials at the Department of Finance. This was not the first time that the Finance Department was involved in an announcement of job creation programs as measures to stimulate the economy. The fall announcements of job creation measures in 1970 and 1971 were announced by the Minister of Finance. Canada was not the only government resorting to expansive macroeconomic and fiscal strategy in this period.\textsuperscript{116} In Canada this was made possible by the relatively healthy state of federal revenues in this period. This was caused by an expanding economy and the impact of a number of changes to the *Income Tax Act* which were legislated in 1971 but took effect in 1972.

While the 1971 tax reform package produced a considerable broadening of the tax

\textsuperscript{115} A. Blakeley, "Quebec gets third of winter works cash," *Windsor Star*, December 7, 1972; "Plan late but great provinces," *Ottawa Citizen*.

\textsuperscript{116} Ian Stewart "Global Transformation and Economic Policy" 155.
base, there were a number of political concessions that benefited business. The Finance Department underestimated the major impact its reforms would have on federal revenues which increased by over 11% in 1972, slightly faster than the rate of increase for 1971. For the most part, this reflected increased revenue from personal income taxes and indirect taxes. The tax yields from personal income tax was 26% higher than the previous year. This figure compared to an increase of 17% for corporate tax yields. This, combined with the impact of a relatively expansive economy and attractive issues of Canada Savings Bonds and other bond issues, meant that the government's bankroll was relatively flush.

The additional funds for LIP meant that the program would be allocated approximately $165-million for the 1972-73 year. This was still only $15-million more than the program had been allocated the previous winter. The new funds allowed the government to increase the number of project approvals. The demand for the program was strong and there was increased pressure from potential sponsors (particularly those who had received funding the previous winter and spring) and MPs. The increased pressure on MPs resulted in a dramatic increase in their lobbying efforts. In response to what was described in internal documents as a “chaotic” situation, the department assigned a LIP program officer to act as a liaison with MPs who were intent on influencing the selection of projects for their constituencies. All inquiries from MPs were channelled through the liaison office and forwarded to the Minister’s office. No project would be approved without the concurrence of a Regional Cabinet Minister.

The Minister’s announcement of three new pilot projects was evidence that the government was considering expanding the LIP model of programs. All three programs were

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119 NAC RG 118 ACC 85-86/ 071 Vol. 120 File 3440-22-1 Pt. 1 LIP Enquiries and Complaints General Memorandum to Robert Andras, Minister of Manpower and Immigration from R. Desroches Deputy Minister Re: LIP Consultation with MPs January 25, 1973.
initiated by officials within the bureaucracy. The private sector program was first advocated by Jack Manion, the Assistant Deputy Minister (Manpower Division), during the summer months. Providing funds directly to the private sector was considered to be a useful mechanism to stem criticism from businesses and create jobs. For the first year the program would be advertised through the 700 member Chamber of Commerce. The entrepreneurial program stemmed from concerns that many of the non-profit projects under LIP could become self-sustaining if they were allowed to produce goods and services. The emphasis was on cooperative-style projects which would turn a profit but not be privately owned. LIP would make contributions to the capital, wages and allow projects to retain limited earnings.

The third initiative, the Local Employment Assistance Program (LEAP), was designed to address the problems faced by the chronically unemployed. Cabinet gave approval for the program in the early fall. Staff were already being recruited and trained and Andras was in the process of seeking approval from Treasury Board to spend $1-million on LEAP during the next four months. A similar proposal for a “community betterment program” was turned down by Cabinet in 1970. Now, however, there was significant interest in expanding the LIP model to provide funding for groups on a three year basis. In 1972 the department established a Special Programs Branch with an explicit mandate to develop and administer projects for “hard-to-reach” target groups. The term “disadvantaged”

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120 NAC RG 118 ACC 85-86/ 071 Box 120 File 3440-20-1 LIP Private Sector January 73 January 74 Memorandum to Regional Directors General from Larry Davies n.d. LIP January 4, 1973 Re: Private Sector

121 A. Blakely, “Winter Job fund aids Quebec most,” The Gazette, December 7, 1972; Also see NAC RG 118 ACC 85-86/ 071 Box 112 File 3440-1 Pt. 1 Memorandum to the Minister from Jack Manion Re: LIP December 15, 1972; Notes for Statement by Minister of Manpower and Immigration, Robert Andras, December 1, 1972; Memorandum to Regional Chiefs from D. Trehearne ADM (Operations) November 15, 1972.

122 “LEAP a new version of LIP: Andras expected to announce work plan for the jobless” Globe and Mail December 9, 1972

123 NAC RG 6 ACC 86-87/ 319 Vol. 25 File 1-20-9 Pt. 1 Memorandum to Cabinet Re: Canada Manpower Opportunity Program July 15, 1970. The proposal was introduced in the context of discussions at the Social Policy Committee regarding regional disparity and the need to strengthen the viability of low income groups. The proposal outlined three programs: counselling, outreach and job creation.
was defined in a Special Programs Branch document as including individuals who:
remain unemployed even though they are motivated and have skills but no
jobs are available to them in their geographic areas . . . people with particular
problems including inexperience, age, lack of adaptive skills, alienation and
physical or emotional conditions do not qualify for and are the least likely to
benefit from the normal job creation activity of the economy. These are the
people who are the last to benefit from the department's programs including
LIP and the Canadian Manpower Training Program and are rapidly becoming
unemployed.\textsuperscript{124}

In the view of officials at Special Programs Branch and LIP, the short-term nature
of LIP was not capable of providing the additional support that the "disadvantaged" or
"chronically unemployed" required. At the same time, there were aspects of the LIP model
that were conducive to the development of a longer-term work experience and job training
program. LEAP was designed to build on the community-based model of LIP. Project
proposals would be solicited from individuals and groups representing the interests of
"disadvantaged" target groups. The target groups included persons with physical or mental
disabilities, former prison inmates, young people and older workers and individuals from
regions with high rates of unemployment. Special LEAP program officers would work with
community steering groups to develop proposals then organize a community-based Board of
Directors to administer the program.\textsuperscript{125}

The department received approximately 1,000 LIP applications a day during the last
three days of December. By the December 31 deadline the program received a total of
11,000 applications. This was similar to the total number of applications received the
previous year but the overall request was lower due to tighter restrictions on maximum limit.
By January 24 $148-million of the total $165-million allocation was committed.\textsuperscript{126} LIP for

\textsuperscript{124} NAC RG 118 ACC 85-86/ 071 Vol. 112 File 3440-1 General (72-73)(1) Memorandum to Directors
General from J. Best Assistant Deputy Minister (Operations) Manpower and Immigration October 10, 1972.

\textsuperscript{125} "Government offers LEAP, an improved LIP to reduce jobless," \textit{Ottawa Citizen}, December 28, 1972;
"Jobless Program Mooted," \textit{Regina-Leader Post}, December 29, 1972; "New federal job plan an old one

\textsuperscript{126} "75 million LIP funds uncommitted" \textit{The Gazette} January 3, 1973.
the private sector was slower getting off the ground. Only two companies were approved by January 31 and the deadline was extended for another month.

**Throne Speech and Budget**

The Prime Minister and his Finance Minister faced a barrage of questions on the economy when the House of Commons resumed sitting in January. Both opposition parties swiftly responded to another Statistics Canada report indicating that the jobless total had jumped to 584,000 or 6.8% of the labour force in December (compared to 524,000 people out of work in November and 530,000 in December 1971). Robert Stanfield pressured the government to reveal its plans to address unemployment in the new session. David Lewis pointed to the unanticipated increase in federal revenues and demanded a cut in personal income taxes and more funds for municipalities and other organizations to create new jobs. There needed to be a faster system of approvals for LIP grants “so the disastrous situation can be improved a little.” The NDP leader recommended a permanent winter works program to enable longer-term planning for better results. The “price” for NDP support for minority government would be a substantial cut in personal income tax and a boost in old age pensions.127

Trudeau assured both Party leaders that the Finance Minister’s budget speech would contain a “series of measures to stimulate the economy and employment.” The Finance Minister, John Turner, also pledged the government’s intention to battle unemployment. A series of strikes and crop problems were responsible for the economic slowdown in the third quarter of 1972. The economy was now recovering. $375-million was allocated to job creation. Only $14-million of the 1972-73 LIP fund was not yet allocated. This was about the same amount that was unallocated in January 1972.128

The throne speech on January 15 also placed high priority on measures to combat

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127 “Job Creation tops list of goals but no new measures are planned” *Globe and Mail* January 9, 1972; “Lewis demands tax cuts for propping up the Liberals” *Toronto Sun* January 9, 1972; “Series of measures for the jobless” *Toronto Sun* January 10, 1972.

128 *Ibid.*. There were no set limits on municipality private sector allocations in the 1972-73 program.
unemployment. Besides the $375-million already announced the government promised cuts in corporation taxes and accelerated tax write-offs for new manufacturing equipment; increased loans under the Export Development Act and revision of the General Adjustment Assistance Plan to help exporting firms take advantage of opportunities to increase foreign trade. In the area of social policy the government renewed its commitment to a comprehensive federal-provincial review of social security. There would also be a major increase in old age pensions and a revision of family allowance program. The speech was considerably more vague on the subject of controlling inflation. There would be a committee established to study food prices, but the main thrust of the government’s attention would be combatting unemployment. Another persistent theme was a commitment to strengthen cooperation between Ottawa and provincial governments, particularly the Western provinces.129

There was little criticism of the speech in the press. The Globe and Mail editorial stressed concerns about high unemployment and unemployment insurance as a disincentive to work. The editorial criticized OFY and LIP as “make-work” projects.130 The NDP were more supportive. Lewis announced that his party found much of “considerable benefit to the people of Canada.”131 The NDP won two major planks with the increase to old age pensions and family allowances. It was unlikely that they would support a non-confidence motion over the budget. Lewis still expected a substantial cut in personal income taxes. The windfall from unanticipated high government revenues should be made available to the municipalities and other organizations to create jobs. Seasonal winter works program should be put in place on a permanent basis.132


132 Ibid., 9.
The response of the provinces to the throne speech was more qualified. Provincial premiers blamed federal economic policies for high unemployment and inflation but they disagreed on the remedies. At a federal-provincial conference of Finance Ministers in January, the Manitoba NDP Minister urged an immediate freeze on retail food prices and income tax relief aimed at lower income groups supplemented by a massive program of direct job creation. The Ontario Tories called for across the board tax cuts and argued that direct federal initiatives to create jobs had achieved little. In BC the NDP called for controls on wages, prices and interest rates.\footnote{Stanley McDowell "Jobless remedies in dispute" *Globe and Mail*.}

The contrast was evident in the positions taken by the provincial governments in Ontario and Manitoba. Representatives from both provinces voiced concern over federal job creation efforts. According to the PC Minister of Finance from Ontario, Robert Winters:

> These initiatives represent a continuation of federal attempts to spend the economy out of the crisis. This approach failed in the past two years and it will not work now.\footnote{Ibid.}

The NDP spokesperson from Manitoba, on the other hand, was concerned that the federal government was spending too little money:

> In addition to personal tax cuts, federal expenditures on special direct employment creation programs should be increased greatly . . . magnitude of funds committed is inadequate, too late and badly distributed.\footnote{Ibid.}

Manitoba was particularly concerned that federal unemployment statistics did not consider native people living on reserves.

The budget speech on February 17 marked the first major test of the minority government's capacity to survive. A reporter in the Montreal Star described the situation facing the Minister:

> By now all the politicians and commentators have made it clear whom Turner has to please with his budget tonight. He has to please the NDP, the provinces, the business community, the old age pensioners and presumably...
ordinary taxpayers . . . as well as the progressive conservatives. The Liberals bowed to the demands of the NDP and promised cuts in personal income taxes and increased old age pensions. Income taxes were reduced by 5%. 3% of this decrease was a continuation of 1972 tax cut that was supposed to end January 1. The basic old age pension was raised from $82.88 to $100—less than the $180 sought by the NDP but enough to garner their support.

Turner stressed two main objectives in his budget speech: (i) to promote economic growth to increase employment for rapidly growing labour force and (ii) to mitigate worldwide inflation. Proposals for the latter were restricted to the commission on food prices announced in the Throne Speech. The main political objective was to secure NDP support and undercut the Tories. On this front the budget was considered a success. The NDP were pleased and did not support a non-confidence vote.

**Winter 1973: Satan, Abortion and Gay Rights**

Job creation maintained a relatively high profile in the media for most of January. On January 15 the new Minister of Secretary of State, Hugh Faulkner announced that the 1973 OFY program would have a budget of $40-million. The program would give jobs to 33,800 young people on projects that provide “community service and other benefits.” As in the past, the announcement was part of a larger $85.4-million package of summer student programs. The OFY announcement was roundly criticized by the opposition. The main complaint was that the program did not go far enough to help low income youths. The view that OFY targeted middle-class youth was still a strong part of the public image of the program.

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139 Patrick Best “People plan could replace OFY and LIP” *Ottawa Citizen* January 19, 1972.
The government's plans for LIP and unemployment insurance were the subject of considerable attack in the House of Commons and the media in the weeks that followed. Much of the criticism reflected concerns about the delays in approvals. Tory members described the new system of liaison officers as an attempt to “screen and filter information” by creating a “sinister secret service.” The main complaint was that the new liaison officers prevented MPs from accessing the Minister’s office. One Tory MP referred to the officers as “carpetbaggers” for the Minister’s office.

The Tories launched another attack against LIP during a debate over spending estimates in January and February. In the absence of legislation, the Miscellaneous Spending Estimates Committee hearings provided an opportunity for the opposition parties to debate the program. The Liberals needed approval for an additional $1.29-billion to cover spending for the fiscal year ending March 31. The money was needed to cover cost overruns at the UIC and the additional job creation spending announced in December. At the centre of the controversy was the fact that the government had relied on parliamentary warrants to cover these costs in December and January. The Tories charged the Liberals with having usurped Parliament’s authority.140

They went on to take advantage of this opportunity to attack LIP for giving grants to “far out and leftist groups” and “Satanists.” There were three charges of fraud and five other LIP projects were under investigation by the RCMP.141 At the Committee hearings Erik Nielson had an affidavit accusing the Toronto based Process Church of Final Judgement of being a Satanist-worshipping group. Conservative members on the Committee also wanted to reduce the approval for the $350-million winter works package to $75-million to cover the costs for the current fiscal year. This would force the government to return to the House of Commons for allocations in subsequent years.142


141 R. MacDonald “LIP indiscretions admitted, charges laid, others pending” Toronto Sun February 2, 1973

The impact of this criticism on the administration of the program was uneven. Jack Desroches, the Deputy Minister of Manpower and Immigration, wrote to the new Minister on December 1 advising him of the procedures in place to handle politically sensitive projects. His advice was to keep the handling of these projects “low-key.” The administrative machinery could “weed” these projects out without a major change in the program criteria.\footnote{NAC RG 118 ACC 85-86/ 071 Box 112 File 3440-1 General (72-73) (2) Memorandum to the Minister from J. Desroches December 1, 1972 Re: LIP Social Animation and Newspaper Projects.}

Two Memoranda followed on December 13 and 15 which described two projects which were considered “controversial” and referred to the Minister from the Executive Board. The Calgary Birth Control Education Project received LIP funds in 1971-72 but was the subject of considerable controversy when the media reported that it was using LIP funds to “facilitate abortion.” When confronted by the sponsor, \textit{The Calgary Herald} printed a retraction indicating that LIP funds were used solely for educational activities. A similar statement was printed by \textit{The Globe and Mail}. Public concern arising from these articles resulted in a significant number of telegrams and letters directed towards program staff and the Minister. The group’s application to the 1972-73 program satisfied all relevant criteria. Program staff in Alberta and members of the Executive Board recommended approval and the project was approved at the Ministerial level.\footnote{NAC RG 118 ACC 85-86/ 071 Box 112 File 3440-1 Pt. 1 General (72-73) (2) Memorandum to the Robert Andras, Minister of Manpower and Immigration. No author. December 13, 1972. Re: LIP Project 1134 Calgary Birth Control Education.}

The second project was sponsored by the Community Homophile Association of Toronto. This project also received funds in 1971-72 and was the subject of considerable public debate. The project proposed two categories of services including telephone information and counselling and court work. The project was supported by program staff and Executive Board because it satisfied the aims and criteria of LIP. The sponsoring group was described as “highly cooperative” with community agencies and organizations. Despite a strongly supportive review from the Executive Board, this project was rejected by the
While the political activities of the organized service projects made the headlines, this group represented a small percentage of the projects sponsored by LIP. Approximately one third of the LIP funds for 1972-73 went to municipalities for projects to install sidewalks, new roads, streetlights and water pipes during the slack winter months. The largest portion of funds in the second year of the program went for the construction of buildings by municipalities. An activity breakdown of these projects revealed that out of a total of 5700 projects: 25% went to municipal buildings; 18% social services; 18% for the installation of utilities such as water and sewer pipes; 15% for sports and recreation projects and 15% for park and forest sites and anti-pollution measures. The remainder of funds went to projects involving education and information services, health facilities, research, and cultural activities. The same survey revealed that 30% of the participants were women and 40% were young people under the age of 25 years. For the second year in a row more than 70% of the participants lived in households with income that fell below the poverty line.

While the social service projects represented a relatively small percentage of the overall LIP budget, the program had a major impact on this sector. A survey of 304 non-government agencies in thirteen Canadian cities conducted by the Canadian Council on Social Development found that government funding rose from $9,578,115 in 1962 to $51,467,044 in 1972. LIP and OFY funds represented a significant percentage of this increase. The study cited a number of concerns about the impact OFY and LIP had on the service sector. The main problem was that these were primarily job creation programs, not programs aimed at improving social services:

Both LIP and OFY programs were set up with the primary objective of providing employment. There is little dispute that they have filled gaps in the social service field, but agencies can provide ample documentation indicating prior awareness of such gaps. They were unable to fill them because of lack

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145 NAC RG 118 ACC 85-86/071 Box 112 File 3440-1 General (72-73) (2) Memorandum to the Minister from Larry Davies, National Director of LIP December 14, 1972 Re: Community Homophile Association of Toronto Project LIP K1635.

LIP played a similar role in the cultural sector. In Toronto, for example, LIP grants accounted for nearly $800,000 of the funds allocated to 27 artistic and cultural groups. The grants covered a wide range of cultural projects. For the most part these projects reflected for democratization and more popular forms of theatre. The emphasis on “innovative” projects and experimentation meant that many of these projects would not have received alternative funding from more established arts organizations such as the Canada Council and the Ontario Arts Council. LIP also provided more money to groups than the more established funders. That LIP made no effort to assess “artistic quality” in the selection of arts projects, proved to be a major source of contention with the more established Arts organizations. As small theatre companies continued to expand, they increased the pressure on these organizations to provide funds.

Officials with LIP were aware of the impact the program was having in these sectors. On January 14 Mackie was a guest speaker at a conference at the University of Toronto on social service funding sponsored by the Metro Working Group on Financing Emerging Services. Conference participants praised OFY and LIP, in general, for “providing technical and financial resources directly to groups and allowing them to work out their own solutions.” In his report on the conference, Mackie referred to the division that existed between the “established organizations” and the “new and emerging groups.” Groups representing the latter category tended to be more closely associated with the recipients of services and to dispute the authority of “existing structures.” LIP provided support for these new strata of service delivery:

two years of LIP has developed competing bureaucracies which in my view

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are not detrimental to the improvement of programs\footnote{149}

**Spring Extensions: Controversy and Resistance**

There was more controversy in February and March. In the House of Commons, Andras was under considerable pressure related to the government's handling of unemployment insurance. A leaked Memorandum advising staff at Canada Manpower Centres to target unemployment insurance and social assistance recipients gained particular notoriety for the Deputy Minister and the Minister. In March the Deputy Minister, Jack Desroches resigned over the issue and was replaced by Alan Gotlieb. Gotlieb was a lawyer and a protégé of Mitchell Sharp when he was Minister of External Affairs. He had a reputation as a strong Liberal supporter and was considered to have the political skills to deal with the controversial Manpower portfolio.\footnote{150}

Within the department the future of LIP was hotly debated. There were two main concerns. First, the program was clearly creating a dependency with social service projects and the provinces were vehemently opposed to these efforts. The Ministers of NHW and Manpower and Immigration announced joint plans for a federal-provincial review of social security in February. LIP's intrusion into provincial jurisdiction was not consistent with the move to greater federal-provincial cooperation in the area of social services or social policy.\footnote{151} The second concern related to a more general critique of the program and its impact on unemployment. The view was still prevalent that OFY and LIP "brought people into the labour market" and therefore was instrumental in "creating unemployment" when


projects ended. Anthony Westall, at Toronto Star commentator, made this argument in an article in January. Government programs to ease unemployment “made matters worse.” The programs:

lured people, mainly women and young people into the labour force and helped to swell the ranks of the unemployed. For officials at Manpower and Immigration, these concerns were tied to the negative publicity that surrounded the termination dates of LIP projects. The immediate task was to find ways to minimize the political pressures anticipated in May. There were two options. In future the program could focus on so-called task centred projects that covered activities such as road work and construction. The second option was to stagger the termination dates. There was some flexibility in the 1972-73 program because of the delays in starting projects. Projects could be granted extra time without incurring additional costs. This would limit “the impact . . . on the labour market of all these people becoming suddenly unemployed at the end of the program.”

Discussions related to the possibility of a spring extension began in earnest in February. In the House of Commons, Andras indicated that there were already plans in place to consult provinces about projects which were about to expire at the end of May. There were no provisions made for renewal of LIP in the main spending estimates for the following fiscal year:

I am now looking at whether or not there should be an encore for LIP . . . Particularly in view of the stimulus to the private sector provided by the budget Monday night.

Pressure to expand the program increased in the spring as LIP projects began to lobby for

152 Ibid.


extensions. At the end of April the Minister announced that there would be a limited extension of LIP to fund 1,400 LIP projects located in “high unemployment” regions. The program was allocated $40-million for a limited extension of six months. The additional funds would bring the total allocated to LIP to over $235-million. The extension would apply only to communities with unemployment rates over the national average of 6.8%. This resulted in the extension of approximately 3000 projects. There were three exceptions to this rule: (i) educational projects which are eligible for continued funding up to the end of June; (ii) projects involving native people; and (iii) projects that had the potential of becoming self-sustaining businesses.\(^5^{156}\)

Increased targeting produced its own set of political dilemmas. The rationale was clear enough. The economy appeared to be on an upswing. The seasonally adjusted unemployment rate had declined for the fourth month in a row and the economy appeared to be creating jobs at a fast rate.\(^5^{157}\) In this context, officials at Manpower were hard-pressed to get additional money to fund projects in the larger urban areas where unemployment was considered to be relatively low. By targeting the program at the “high unemployment” regions, officials could justify yet another extension of the controversial program.

The change in eligibility criteria meant that most of the larger urban centres would be excluded. Toronto and Montreal were the hardest hit. The situation was only slightly better in Vancouver. In metropolitan Toronto the rate of unemployment was 4.8%. This meant that approximately 90% of LIP projects in Toronto would be excluded from the spring extension. The Metro Working Group argued that the emphasis on the unemployment rate ignored the fact that there were probably more unemployed in absolute numbers in Toronto than other regions in the province and country. Even with a relatively healthy economy there were “pockets” of high unemployment in low income neighbourhoods and certain sectors of

\(^{156}\) “MPPs urge extension of grants for projects” *Toronto Star* May 16, 1973.

The changed criteria were expected to have a similar impact in Montreal. With an unemployment rate of approximately 6.7%, it was estimated that as many as 3600 people could lose their jobs on LIP projects. LIP project members organized across the Island. One coalition represented about 70 representatives from 11 LIP projects was organized under the auspices of the Federation of Catholic Community Services. There was more organizing in Pointe St. Charles. In Manitoba the provincial government was directly involved in lobbying for more funds. The unemployment rate was generally low for the whole province. This meant that communities in that province would be effectively “screened out” of the program.\footnote{LIP officials defended the tighter criteria for project extensions, project. Each project had been notified about the decision to end on May 31. That rationale offered little solace to LIP sponsors. There were more demonstrations between May 5 and 18. The Metro Toronto Working Group spearheaded the protest in Toronto with 100 demonstrators representing more than half of Metro’s 250 workers. The government’s cancellations were arbitrary: The federal government moved into the provincial jurisdiction of social welfare by instituting LIP projects and now they want out . . . provincial government cannot support entirely. We would like to find money from city, province and outside agencies\footnote{In Pointe St. Charles organizers promised “global action” following the demonstrations in Montreal, Toronto, Winnipeg. Protesters pointed to Pointe St. Charles as a good example of a neighbourhood within a larger urban setting that had consistently high rate of unemployment and low income. It is not surprising that the bulk of protest was concentrated in the larger urban areas.\footnote{158 See “100 protest LIP project cancellations,” \textit{Globe and Mail}, May 5, 1973; “MPPs Urge Extension of Grants for projects,” May 16, 1973.\footnote{159 \textit{Ibid.} \footnote{160 “100 protest LIP project cancellations” \textit{Globe and Mail} May 5, 1973.}}}}
The politicization of LIP projects was predominantly an urban phenomenon. Canada’s four largest cities received a total of $34.7-million in LIP grants in 1971-72. Projects in Montreal received the largest amount at $18.4-million. Vancouver with about one third of the population received $6.1-billion. With a population closer in size to Montreal, Toronto received only $4.9-million, less than one third of the rate of Montreal, but the majority of projects were in the service sector. There were also widespread complaints from the Liberal caucus, especially Montreal area MPs who felt pressure in their ridings. In the House of Commons, Liberal backbenchers joined the NDP in asking the government to reconsider plan to discontinue grants for most projects in the summer and fall.\(^{161}\)

On May 19 Andras announced a second allocation of $30-million to fund approximately 800 of the total 5800 LIP projects to continue. Projects were sent notices of approval or rejection within ten days of the announcement. This second allocation stemmed directly from the political pressures exerted by project workers and politicians. Liberal backbenchers from Montreal and Toronto lobbied heavily in favour of broadening the criteria for extensions.\(^{162}\) In a media interview Andras conceded that he had changed his mind largely because of the “very considerable representations by members of my own party.”\(^{163}\) According to one report in The Toronto Sun, the groups affected by the extension in Toronto tended to be the more organized and vocal, including Rochdale Free Clinic, Hassle-Free Clinic, Ward Seven News, and Toronto Free Theatre. Projects that were not renewed included the Boy Scouts of Canada and the CNIB.\(^{164}\)

This last extension increased the total LIP allocation for 1972-73 to $235-million. This was the federal government’s largest annual allocation to a job creation program. In

\(^{161}\) “Montreal gets more than half LIP cash,” Toronto Star, April 5, 1973.

\(^{162}\) “MPs urge extension of grants for projects” Toronto Star May 16, 1973; NAC RG 118 ACC 85-86/071 Vol. 120 File 3440-22 LIP Enquiries and Complaints General Letter to MPs from the Minister of Manpower and Immigration May 19, 1973.

\(^{163}\) Ibid. See also Guy Demarino “LIP gets another $30 million,” Ottawa Citizen, May 19, 1973

\(^{164}\) Robert MacDonald “Toronto Alderman, Rochdale to get LIP, OFY grants” Toronto Sun May 31, 1973.
two years the program had been renewed and/or extended eight times. There was four announcements in 1971-72 and another four in 1972-73. The impact of this last extension was not lost on Minister. LIP was supposed to be a short-term program to provide jobs during the winter months. It was fast becoming a year round program. In a media interview Andras described LIP as "a bit of a monster" which was beginning to require "colossal investments." The government was now "facing the crunch" of whether to continue with LIP and in what form. Larry Davies was adamant that this was the last extension:

The purpose of this extension is to give some projects more time so they can find other funding. Now the initiative should come from the people involved in projects to try and arrange with the provinces for future funding. The new announcements did little to stem the protests. Demonstrations continued in Montreal, Winnipeg and Toronto. On May 25 a coalition of over 200 LIP members from 30 projects crowded into the Canada Manpower Centre in Montreal to register for unemployment insurance. On June 1, 40 protesters from Toronto occupied the Liberal Party's headquarters demanding that all projects which met the basic eligibility criteria should be extended immediately until December 31, 1973, and that a neutral appeal board should be established. On June 7, 17 helmeted police evicted protesters at a LIP office sit-in in Montreal. Their protest reiterated the demands of the Toronto group that all community-based LIP projects be extended and a more democratic procedure for project evaluation be established.

While the federal government remained on the "hot seat," the provinces were also under increased pressure. The tensions were particularly strong in Quebec and Ontario. Grass roots organizations joined with more traditional agencies and elected officials to lobby

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the provinces to cover the costs of the new LIP services. In Metro Toronto a group of eighty agencies organized including the United Way, the Metro Toronto Labour Council, and the United Church voted at a public meeting to spend the next six months pressuring Ontario to take over financial responsibility for LIP projects. Martin Novick from the Toronto Social Planning Council described the sentiment behind this new organizing effort:

LIP helped to show that there are a lot of services that are not being provided by the traditional agencies . . . there is a strong feeling in the social welfare community that LIP had been a good program and Ontario has not lived up to its responsibilities.

On June 14 the provincial Minister of Community and Social Services told 100 demonstrators that the provincial government was willing to review existing LIP projects.

In Winnipeg a coalition of LIP projects lobbied the provincial government to establish a review committee to assess 88 LIP projects that were set up in that province over the past year. Twelve projects, including six day care centres, were already under review by the province.

In Quebec the battle raged on over the funding of day care projects. Castonguay was reluctant to give in to the pressure. He attacked the federal government in the Quebec legislature on April 4 for putting the provinces in an “untenable” position regarding the

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170 NAC RG 118 ACC 85-86/ 071 Vol. 114 File 3440-8-1(2) “Memorandum to R. Dicerni from L. Davies National Director LIP” May 25, 1973 Gene Harrigan the LIP Coordinator for Ontario Region met with LIP project leaders in Toronto on May 23, 1973. In this Memorandum was pleased that the discussion focused on ways to pressure the province rather than on “the usual demands for continued financing.”

171 M. K. Rowan, “Save LIP, urge Metro social services,” Toronto Star, June 2, 1973 See also “Now Queen’s Park will consider aid for LIP projects,” Toronto Sun, June 14, 1973. More than 100 protesters walked into the office of the Minister of Community and Social Service, Frank Welch, and demanded that the provincial government provide “a permanent base of funding for the necessary human services generated over the last 18 months.”.

172 Mary Kate Rowan “Save LIP urge Metro social agencies” Toronto Star June 2, 1973.

173 “Now Queen’s Park will consider bailing out LIP projects,” June 14, 1973.

174 “Provincial funds sought for LIP” Winnipeg Free Press June 7, 1973
funding of day care. The province was “taking the blame” for Ottawa’s disregard for provincial priorities.\textsuperscript{175} There was another round of protests at the end of May.\textsuperscript{176} On June 9, Helen Bastien, the Chair of the Greater Montreal Anti-Poverty Coordinating Committee, blamed the Quebec government for lobbying against the federal LIP extensions. The group had a copy of a letter written by the Minister of Social Affairs to Robert Andras as Minister of the Department of Manpower and Immigration:

\begin{quote}
Within the realm of different federal-provincial programs, especially LIP, there have been several projects accepted involving the creation of day care centres in Quebec . . . These projects, financed temporarily by LIP create considerable difficulties as far as the permanent character of the service.\textsuperscript{177}
\end{quote}

The coalition wanted LIP officials to consider extending the day care projects to November 1973. The long-term goal was to pressure the Quebec government to assume responsibility for funding quality child care in the province.

While there was no additional money announced, it was clear that the demonstrators had won this round. LIP had $70-million in additional funds and the stipulation that only “high unemployment” areas would receive funds was defeated. The political lessons of the spring were not lost on Liberal politicians or the senior officials at Manpower. If LIP was going to continue, something would have to be done to weaken the political impact of LIP sponsors and pressure groups. The dilemmas were outlined in an article that appeared in the Ottawa Citizen in May:

\begin{quote}
every time the government tries to let LIP funded projects die a natural death those directly employed in projects and those directly served within the community have raised such a fuss that the government has had to arrange
\end{quote}

\begin{footnotesize}


\textsuperscript{177} “Quebec put end to day care grants,” \textit{The Gazette}. June 9, 1973.
\end{footnotesize}
The future of LIP and OFY had been hotly debated since the election in October. A review would begin in earnest in the spring of 1973.

Conclusion

It would be difficult to ignore the impact that broad class and other social forces had in terms of shaping the first two years of LIP. The program was introduced as part of a series of programs designed to ease the political pressures related to rising unemployment. Faced with the prospect of a federal election, Liberal Cabinet members were eager to dispel the view that the government was willing to fight inflation at the expense of unemployment. After the election, the balance of power swung to the NDP who, together with the Tories, were able to pressure the government to spend more money on programs dealing with unemployment. Within months the program developed a momentum of its own that both shaped and was shaped by the actions of its sponsor base.

The public debate surrounding LIP reflected two sets of contradictions that were rooted in the broader framework of a liberal welfare regime. First, LIP’s primary objective was to create short-term jobs during the winter months. Critics from the left and the right confronted the failure of the government to situate job creation measures in the context of a broader strategy to create employment. Short-term employment on LIP projects was a poor substitute for full-time employment with job security and adequate wages. The Special Employment Plan was an example of counter-cyclical pump-priming but there is little evidence of the larger institutionalized commitment to full employment outlined by Therborn or Esping-Anderson. As a measure to combat high levels of unemployment, the federal government’s commitment to direct job creation was relatively symbolic. The real engine of job creation was supposed to be the private sector. LIP and other short-term programs were conceived primarily as a “holding-tank” for surplus labour. The intent was to wait until the economy improved and the private sector created jobs. The increased targeting of the

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program in 1972-73 reflected an attempt to try to lower unemployment insurance rolls and ensure that the "real unemployed" and persons "most in need" were hired on projects.

The emphasis on service provision created another set of contradictions. The federal government viewed LIP as a means of pushing the provinces to expand their social services. This reflected the fact that social services fell under provincial jurisdiction. However, LIP funding was not a particularly effective method of expanding services. This point was an ongoing part of the critique of the program from the service sector. In the case of day care the model of service delivery reflected the broader liberal welfare framework. There was no discussion of the need for a universal child care system with national standards. Instead the federal government was willing to pressure the provinces to take advantage of cost-sharing available under the Canada Assistance Plan which was essentially a welfare-based program. LIP did fund day care-but with low wages and virtually no security.

While LIP was considered to be primarily an employment program, there was a strong social dimension to the program that brought the federal government into direct conflict with the provinces. This was not an "unintended consequence" of job creation policy. The archival documents indicate that the Minister of Manpower and Immigration and other members of the civil service associated with the program made a strategic decision to influence the design of provincial social service programs by funding these projects. Within a year the provinces had upped the ante in the debate over federal-provincial jurisdiction and the federal government was forced to try to appease the provinces. There was organized resistance to these changes from the sponsor base.

There was a certain duality to LIP in this context. The role of key actors inside the state was important. Not all the civil servants associated with the program viewed the political organizing of its sponsor base as problematic. Within the context of the existing welfare regime, LIP provided bureaucrats like Mackie with an opportunity to "push" the limits of existing services. The administration of LIP was an important contrast to the delivery of programs in other parts of the bureaucracy and the Department of Manpower and Immigration. If the "philosophy" behind the program ignored the social change dimensions of CYC and OFY, there was still a willingness to provide funds directly to
community groups and organizations.

For members of the Liberal Cabinet and caucus, however, the main problem with LIP was that the program seemed to have developed a momentum of its own. Despite efforts to more closely target the program, the government remained vulnerable to the demands of a new league of LIP activists. The spring extensions had less to do with the need to address seasonal unemployment and more to do with appeasing an increasingly politicized sponsor base. LIP was “tacked on” to manpower policy in the fall of 1971 to deal with a temporary unemployment problem. By 1973 the program was in search of a policy that would insulate the program and the policy-makers from these external pressures.
Chapter Six

Programs in Search of a Policy

LIP and OFY Under Review 1973-75

Introduction

By the spring of 1973, the Minister of Manpower and Immigration, Robert Andras and other members of the Liberal Cabinet were committed to a formal review of the government’s short-term job creation policy. The future of OFY and LIP, in particular, had been debated since the election in October 1972. Introduced as a temporary expedient, LIP appeared to have a momentum of its own. A major question remained. How did short-term job creation “fit” in the government’s overall labour market strategy? This question raised much broader questions about the transformation of the labour market and the appropriate mix of private and public responsibility for addressing unemployment. In April 1973 Andras announced the formation of an Interdepartmental Task Force that would make recommendations on the future course of federal job creation policy. The same month the federal government launched a comprehensive review of social security that included plans for a community employment plan to provide jobs for the “disadvantaged” unemployed.

This chapter traces the course of both reviews and their impact on job creation policy in this period. It is difficult to divorce developments in this period from the political and economic context: (i) the initial expansion of the economy and the slight decline in unemployment in 1973; (ii) the changing ideas about the causes of unemployment and the role of manpower policy; (iii) a more general shift to the right in the political priorities of the Liberal Cabinet in late 1973 and (iv) the onset of stagflation in 1974 and 1975. The combined impact of these factors resulted in a major shift in the balance of forces represented within the state.
Political Economy: Transition to Stagflation

Two supply shocks had a major impact on the world economy in 1973 and 1974. The price of food, especially grain, rose steadily during 1972 and 1973. This increase reflected a rapid expansion of world economic activity and series of droughts in other parts of world. The quadrupling of oil prices in 1973 plunged most of capitalist world into a deep recession and brought a dramatic halt to economic growth that had characterized, with minor interruptions, the postwar period. Canada was cushioned from the immediate impact of these conditions for most of 1973. Rising grain and oil prices involved a shift in world trade in Canada’s favour and provided a strong underpinning to economic growth and employment creation. Two federal policies helped shelter the impact further. The introduction of a one price oil policy in the spring and fall of 1973 ensured that oil prices were well below the world price. There were also two extremely stimulative budgets in spring of 1973 and fall of 1974.1

The immediate impact of the food and energy crisis was a tremendous increase in economic activity in Canada. These conditions stood in marked contrast to the experience of most other OECD countries. Canada’s GNP increased by 6.9% in 1973, despite a damaging railway strike in late summer and widespread instability in foreign exchange markets. The overall improvement in the economy generated a record increase of 5.2% in the level of employment. This increase surpassed that of all other industrialized countries and caused a modest decline in unemployment from 6.3% in 1972 to 5.6% in 1973 (the lowest on record since 1969). One result was a major decrease of the number of unemployed from approximately 542,000 to 520,000. This was the first drop in the stock of unemployed since 1966.2

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This was the largest expansion of the economy since 1956.
This was the first “good news” the federal government had been able to deliver on the economic front since its election in 1968. Trudeau and his Finance Minister, John Turner, pointed to the strong expansion of the economy and the decline in unemployment as evidence that their economic policies were beginning to take hold. Whether the government could take responsibility for improved conditions remained the subject of considerable debate. In fact, the economic performance in 1973 was similar to 1971 and 1972, just accelerated. This was also a modest recovery relative to other spurts in economic activity in the postwar period.

The rapid expansion of employment and the labour force and the modest decline in unemployment were relatively widespread. The exception was the unemployment rate for women which remained constant. The increased labour force participation of women surpassed the increase in jobs. On average 3000 more women were unemployed in 1973 than in 1972. For males the rate of expansion in employment and the labour force size was well below that for females, but increases were still greater than those experienced in the previous two years. 1973 marked the first significant increase in the male labour force since W.W.II. Improved economic conditions also had an impact on youth unemployment. While the rate remained high relative to other age groups, youth unemployment dropped from 11% to 10%. Similarly, all five regions registered drops in unemployment rates. The heaviest impact involved the peripheral regions with large employment gains in BC (led way by 6.6%); followed closely by Atlantic (6.5%) and Quebec (5.7%).

The expansion of the economy and the reduction in the number of unemployed meant that unemployment placed a poor third against inflation and energy policy on the public agenda by the fall of 1973. The Consumer Price Index increased by 9.5% between December 1972 and December 1973. The first cause for concern was a dramatic 17% increase in the

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price of food, followed by a 7.2% increase in the cost of housing. The increase in the rate of inflation renewed public debate over the relative advantage of a policy of wage and price controls. The Tories advocated in favour of controls in the House of Commons in February and continued their demands through most of the summer months. The Liberals and NDP remained solidly opposed to the rigid imposition of controls. The latter position coincided with the view expressed publicly by most economists. They argued that domestic controls had failed in US and the UK and would not likely have an impact on the international forces which were perceived to be at the root of current price increases. The possibility of a more restrictive fiscal and monetary policy was ruled out by the Liberals on political grounds. Members of the Liberal Cabinet were not convinced that the penalty in terms of public opinion was worth the cost. Most were still “smarting” from the political impact of the 1968-69 experiment with restrictive macroeconomic policy. Unemployment in 1973 was still higher than had been the case in 1968-69. The main thrust of the government’s anti-inflation policy was to protect individuals from the effects of inflation through changes to Old Age Security and Family Allowances.

The paradox of stagflation—rising inflation and slow economic growth—dominated the economic outlook for 1974. The economy performed reasonably well for the first half of the year. This was the case despite international crises and uncertainties and the vulnerability of the Canadian economy to international pressures. The prospect of an election appeared inevitable by the spring. In a controversial move Turner proposed an extension of the corporate tax cut scheme in the May 6 budget in 1974. The tax changes were considered unacceptable to the NDP and the government was defeated in the House of Commons. The Liberals were returned with a majority in July. The more buoyant economic conditions that

*Ibid., 311-319.*

had characterized 1973 and the early part of 1974 proved to be important factors inspiring public confidence in the Liberals.·

**Unemployment, Inflation and Manpower Policy**

These changes in economic conditions during 1973 coincided with an increase in the debate over the nature and causes of unemployment and the role that manpower policy was expected to play in addressing the problem. The design of active labour market policy in the mid-sixties had reflected a broad consensus between organized labour and business. In the context of economic growth and prosperity, manpower policy promised to meet the objectives of growth, equity and economic stabilization.·

The Canadian version of an active labour market policy was, to a large extent, shaped by the ideological principles associated with a liberal welfare regime as described by Esping-Anderson. Supply-side intervention in the form of enhanced training and counselling services was designed to address bottlenecks in labour market, the problems faced by older workers and the “pockets” of poverty that persisted despite economic growth. While equity objectives were a consideration, the primary orientation was economic. The new job creation programs were “tacked on” to the department’s mandate in the early seventies to address: (i) the persistence of seasonal unemployment and (ii) unemployment caused by increase in labour force participation of young people and women.

As inflation and the energy crisis began to dominate the economic debate, the consensus between labour and business over the direction of labour market policy that characterized the earlier period began to disintegrate. Labour argued in favour of policies designed to strengthen job security and full employment, such as work-sharing and the

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shorter work week, while business leaders preferred government intervention designed to curb the power of unions. Employers criticized the department for not responding to the needs of business and the private sector and remained critical of minimum wage, unemployment insurance and job creation programs such as OFY and LIP.

At the heart of this debate was the role the state should play in terms of its direct intervention in the labour market and the appropriate private and public responsibility for ensuring high levels of employment. There was general agreement that the government was facing a “new and changing” unemployment situation and a transformation of the labour market. This transformation reflected the impact of a number of factors, not the least of which was the dramatic increase in the labour force participation of young people and women. Policy makers were beginning to differentiate between types of unemployment including structural, cyclical, seasonal and frictional. There were also issues related to changes in technology and the nature of work itself.

A number of paradoxes challenged conventional explanations of labour market behaviour and unemployment. The simultaneous occurrence of high levels of unemployment and inflation raised questions about the anticipated trade-off that could be achieved through the manipulation of macroeconomic policy. In 1973 Canada registered the highest expansion of employment in the industrial world with only a slight decline in the overall level of unemployment. More important, the phenomenon of unemployment in 1973 coincided with a dramatic increase in the number of job vacancies. This last point sparked considerable debate as to the impact of government policies, particularly unemployment insurance, and the so-called change in the nature of the work ethic.

Three main views emerged to explain these developments and what the state should do to stem the rising tide of unemployment. Monetarism gained considerable prominence with the view that rising unemployment reflected the market behaviour of young people and women and the impact of government legislation designed to ease the negative impact of
unemployment. In an article that was given considerable acclaim in 1973 Martin Feldstein, an economist from Harvard University argued that aggregate demand could no longer lower the unemployment rate appreciably. This view was similar to the argument about structural unemployment in the 1960s. The emphasis was on the attitudes and behaviour of the new labour force entrants, including women and young people who were "choosier" about the type of work and who had a poorer attachment to the work force. It followed that high levels of unemployment were inflated by individuals who were for the most part secondary wage earners. The "new unemployment" also reflected the de-commodification aspects of unemployment insurance and other social security measures designed to ease the burden of unemployment. The policy prescription that followed emphasized the need to restrict unemployment insurance, lower the minimum wage and increase the market incentives in most social security programs.*

The final report of the Price and Incomes Commission was one of the first government reports to reflect this shift in thinking about the causes of unemployment and the implications for manpower policy. The report was released in late 1972. The main body of the report dealt with the problem of inflation. Commenting on the causes of unemployment, the report noted the role that the Liberals' restrictive fiscal and monetary policy had played in 1968-69. It went on, however, to note the various other factors that had contributed to rising unemployment in the late sixties and early seventies. These included: the impact of seasonal industries, the high employee turnover rate in particular industries, and the increased labour force participation of young people and women (the largest in the industrialized world). There were also problems associated with a new set of attitudes towards employment and the impact of new government policies affecting people out of work. The report questioned the role of unemployment insurance, in particular, and the

* See M. Feldstein, "The Economics of the New Unemployment," The Public Interest 33 (Fall 1973): 3-43.
impact that a more liberalized program had on increasing the number of people “choosing” to be unemployed.

On the other side of the debate, critics pointed to the existence of a dual labour market. Problems related to high levels of unemployment reflected the segmentation of the labour market. The primary labour market consisted of higher paying jobs, usually with good working conditions, benefits and job security. In contrast, the secondary or peripheral labour market was characterized by low wages, poor working conditions and a high turnover in workers. It followed that because women, young people and other groups of “poor” workers tended to be concentrated in this sector they were likely to experience high levels of unemployment, the impact of the secondary labour market. The policy emphasis, while not denying the benefits of training and placement services, redirected the policy emphasis away from the characteristics of the unemployed toward ensuring that the labour market is able to provide jobs at reasonable wages.

A third view also emerged in the policy discussions in this period that stressed the advent of a “postindustrial era.” This view predicted that unemployment was likely to increase over the course of the next decade. The transformation of the labour market meant that there would be fewer jobs for people by the latter part of the decade. If unemployment was increasing and the economy was unable to provide enough jobs it followed that there was a need to look for “alternative” work opportunities. There were several variations on this theme. Many reformers were concerned with the diminished job prospects facing the long-term unemployed in high unemployment regions and the fate of “disadvantaged”

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* The concept of a dual labour market emerged in the late sixties in the context of the “rediscovery of poverty” in the United States and Canada. In the early seventies this perspective proved to be an important counter to the view that increased unemployment reflected the impact of the “more generous” social welfare programs, the demise of the work ethic and/or the personal characteristics of the unemployed. See for example M. Piore “Historical Perspectives and Interpretations of Unemployment,” *Journal of Economic Literature* 25:4 1851-1907.
workers. Others argued that the government needed to further target employment programs to ensure that “disadvantaged” workers would be able to access employment.

There is little evidence that explanations of unemployment that focused on the structure of the labour market itself held much currency in the official discourse related to unemployment or in the federal bureaucracy or with members of the Liberal Cabinet. Instead, the view that government programs, particularly unemployment insurance and short-term job creation, contributed to the increase in the rate of unemployment had a considerable impact on politicians and policy-makers throughout most of 1973. The existence of a “new unemployment” that reflected the market behaviour of large groups of young people and women raised considerable scepticism about the state’s responsibility for ensuring high levels of unemployment.

By late 1973 these changes in the ideas informing manpower policy reinforced a much broader shift in the overall balance of class representation within the Department of Manpower and Immigration itself. As inflation replaced unemployment on the political agenda and the Liberals began to “gear up” for the next election, bureaucrats in the department became increasingly committed to the view that employment policy should be redirected to serve the interests of employers. This reflected an important shift in the overall balance of forces within the department itself and had an impact on programs ranging from unemployment insurance and immigration to short-term job creation.¹²

¹¹ See G. MacLeod, New Age Business (Ottawa: CCSD, 1986) 18-19. MacLeod traces interest in community economic development to the period after 1973 in Cape Breton and other parts of the country. Many of the advocacy groups faded away as it appeared that the government was immune to their efforts: “The lessons of the coop movement, combined with the frustration of pursuing government grants reinforced the growing awareness that social development cannot take place without economic development.”. This analysis pointed to the need to develop alternative forms of economic organization at the local level. See also E. Shragge, Community Economic Development: In Search of Empowerment (Montreal: Black Rose Books, 1993) 6-10.

¹² For a contemporary account of these changes see N. Hartley, “Andras on a Tightrope: leaning to the right,” The Globe and Mail (April 27, 1974).
The Future of Job Creation Policy: Two Reviews

Early signs that the government was in the process of re-thinking its responsibility for ensuring high levels of employment was reflected in the announcement of two reviews in the spring of 1973. In April Marc Lalonde, the Minister of NHW and Robert Andras, the Minister of Manpower and Immigration released a report outlining plans for a major federal review of social security. The Working Paper outlined three strategies for the review: community employment, income security and social services. The community employment plan program involved the provision of “socially useful work” for the “disadvantaged” unemployed who relied on social assistance. ¹

While plans for the Community Employment Plan would prove to be a relatively minor part of the policy debate over the role of job creation, the Working Paper provides some important insights into the policy direction taking shape related to employment policy and its impact on “disadvantaged” unemployed. First, the paper made it clear that the first strategy in providing income security to Canadians was the provision of jobs in the private sector. State intervention to address unemployment was primarily the jurisdiction of economic policy, involving a combination of macroeconomic policy and regional development incentives.

High rates of unemployment were expected to continue throughout most of the decade. The rationale for a community employment program was to move “employable” persons on social assistance back into the work force. The author of the report, Al Johnson, was convinced that the only way this group would be sure to access employment programs was if the programs were selective and targeted directly at the “disadvantaged” unemployed. The strong emphasis on a more targeted work opportunity program reflected the ideological focus of the review which was to reinforce, not challenge market forms. The development

of the program would have to take into consideration a number of labour market considerations including: (i) the potential shift from the general labour market to community employment; (ii) the danger of increasing the numbers of people seeking employment because of the new program; (iii) competition with wages and working conditions in the low wage sector of the economy; (iv) and artificial pressures on the labour market."

The review would begin over the next several months. A joint working group was established to deal with the employment strategy. Officials from NHW and Manpower and Immigration continued to be suspicious about the other department’s involvement. NHW distrusted the perceived bias of manpower officials in favour of more general employment programs. Manpower officials were convinced that NHW had little experience or skills in the area of labour market policy. A compromise was negotiated in early spring. Work on the employment strategy would proceed independently from the on-going review of job creation programs at Manpower and Immigration. The employment strategy working group, however, would be led by officials at Manpower and Immigration."

While the Social Security Review was announced with considerable public fanfare, a second, less public, review of the future of federal job creation programs was launched in April. A slight improvement in the economy and the controversy over the extension of the 1972-73 LIP program formed an important backdrop to the announcement. On April 14, Andras announced the establishment of the Interdepartmental Task Force on Direct Job Creation. The mandate of the Task Force was twofold. First, by mid-July the Task Force was expected to put forward a set of alternative program plans for the winter months of 1973-74. A second, longer-term objective involved a review of the program mix required

"Ibid., 132-135. This version of events is supported in the Manpower and Immigration documents. The rivalry between NHW and Manpower and Immigration officials over the jurisdiction for work opportunity programs had a long legacy. There were debates in the late fifties as well as during the policy discussions surrounding CAP. The main tension was around the provision of short-term jobs Manpower officials maintained that ‘job creation by any other name’ was still their jurisdiction."
to combat seasonal and cyclical unemployment. The programs under review included the job creation programs sponsored by Manpower and Immigration, the Department of Regional Economic Expansion, the Department of Public Works, Treasury Board and the Department of Indian and Northern Affairs. The main subject of this review, however, was the future course of LIP and OFY. The Task Force would also be responsible for reviewing the work of the employment strategy working group associated with the Social Security Review.

Andras announced the establishment of the Interdepartmental Task Force on Direct Job Creation in April. A slight improvement in the economy and the controversy over the extension of the 1972-73 program formed an important backdrop to the announcement. The mandate of the Task Force was twofold. First, by mid-July the Task Force was expected to put forward a set of alternative program plans for the winter months of 1973-74. The review would focus on the particular targets for job creation, the size and cost of the effort needed to achieve these targets and the details of the program mix required to support each alternative. A second, longer-term objective involved a review of the “program mix” required to combat seasonal and cyclical unemployment. The Task Force would also be responsible for reviewing the work of the employment strategy working group associated with the Social Security Review. The Task Force was expected to report directly to Cabinet by the spring of 1974.1

The Memorandum outlining the role of the Task Force provides some interesting insights into the concerns that sparked the review. Part of the Task Force’s mandate was to examine the “perverse effects” of existing programs and make recommendations for changes that would minimize these “side effects.”2 The document went on to outline the policy dilemmas involved. Increases in the level of benefits paid to unemployed workers had

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2. NAC RG 118 ACC 85-86/ 319 Pt. 1 Draft Memorandum to the Deputy Minister Manpower and Immigration from the Assistant Deputy Minister (Manpower) Re: LIP February 16, 1973.
significantly reduced the personal hardship associated with unemployment. At the same time, there was a general fear that programs like OFY and LIP raised the measured rate of unemployment by reducing the incentive for the unemployed to accept lower paying jobs. Any attempt to discourage new workers from entering the labour force or to reduce the disincentives to work in the program would be met with resistance."

A second problem related to the trade-off between policies to address unemployment and inflation. It was clear that the public expected the government to provide jobs or some form of guaranteed income. Attempts to reduce unemployment by increasing overall demand in the economy were ruled out because of the potential impact on inflation. There was also concern about the potential competition with jobs in the private sector. If wages were fully competitive, the demand for these jobs would increase. It was important to maintain the "less eligibility" principle in the program to discourage workers from "choosing" to work on government-sponsored job creation.

Two points stand out in this discussion. First the main thrust of the review would be on the role of job creation programs as a component of labour market policy. The concerns outlined above refer directly to the ideological concerns outlined by Esping-Anderson. Officials were particularly concerned with the potential competition with the private sector. This was consistent with the concerns raised in the *Orange Paper* and the more general concerns about the role of manpower policy taking shape in the Department of Manpower and Immigration.

Another striking point was the absence of any discussion of the political problems associated with OFY and LIP. Although the review was sparked in large part by concerns related to the organized sponsor base and the demands of the provincial governments, the official document was strangely silent on the issue of interest group pressure. This probably reflected the view that the emphasis on social services was a problematic aspect of the

"Ibid."
program more generally and would not be a factor in a program developed on "manpower" principles. Regardless of the intent, the potential for controversy was not lost on members of the Task Force. The first part of the Task Force's mandate would stress provisions aimed at minimizing the political influence of LIP sponsors.

**Summer Review 1973**

Work on the recommendations for the 1973-74 LIP program began in earnest in June. The main actors in this part of the task force review were officials from Manpower and Immigration, including Cam Mackie and a number of staff who formed a LIP working group. The committee considering changes to LIP already had several sets of recommendations to choose from. These included a Cabinet document that approved in principle in February, the various briefs and submissions from the provinces and LIP sponsors.

The Cabinet document served as the starting point for a series of consultations with the provinces, community groups, and MPs that took place over most of June and July. Cabinet approved three major changes in principle on May 31: (i) the establishment of a permanent administrative structure to develop policy and deliver the programs; (ii) the development of a stronger liaison and consultation with the provinces and the establishment of provincial offices; (iii) and the inclusion of constituency advisory groups in the approval process. There were two other changes to the program criteria: the total amount per project would be reduced from $250,000 to $75,000 and there would be a new staggered system of dates for project commencement and termination."

The rationale for a more permanent administrative structure was outlined in more detail in a January 31 memorandum. The "success" of LIP could be attributed, in part, to its ability to reduce the level of government involvement in the programs to a minimum.

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"NAC RG 118 ACC 85-86/ 071 Pt. 1 Interdepartmental Task Force Minutes, Meeting (June 6, 1973)."
This aspect of the program, however, had generated extensive public debate, federal-provincial consultation, intergovernmental liaison and the socio-economic disturbance of traditional employment measures. Part of the problem was the ad hoc nature of the program and the mixed objectives job creation programs, such as LIP, were expected to meet. To alleviate these problems, the Memorandum recommended the establishment of a permanent Job Creation Branch that could ensure the “continued success” of the job creation philosophy and respond to the initiatives of the unemployed.

There were two other changes designed to minimize political tensions associated with LIP: the introduction of Constituency Advisory Groups and staggered termination dates. Local advisory groups had been part of the selection process for OFY since 1972. The more politically organized sector of the LIP sponsor base had also advocated provisions for more grassroots participation in the selection process. There were mixed motives for introducing them in the 1973-74 LIP. On the one hand, advisory groups would allow for more participation in the program by a wider group of people at the local level. They were also expected to “bring applicant expectations to a more reasonable level” and “restrict the number of wild applications.” More local participation in the assessment process was also expected to help reduce “political comment and criticism.” LIP officials on the task force were also adamant that the new constituency advisory groups include representation from the “new and emerging” groups who formed a critical component of the LIP sponsor base.

Constituency Advisory groups were not the only new provision designed to minimize political protest. The question of project start and end dates had been a long-standing issue for communities and groups from the far North who required considerable flexibility for

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* Ibid.
their construction projects. This was especially the case for Native communities in the Far North. Since freeze-up occurred normally between mid-October and the end of November, these communities needed to have a more flexible time schedule. For officials with LIP, the inclusion of staggered termination dates promised to help ease the political impact of having all LIP projects end on the same date in May. Part of the problem with the program had been that groups could organize simultaneous protests across the country in the spring and November. The new Deputy Minister, Alan Gotlieb, was committed to ending these pressures and the spring extensions.

The Political Interests: The Provinces, LIP Sponsors and Liberal MPs

There were three political constituencies with an interest in the direction the LIP review would take: the provinces, LIP sponsors and the Liberal caucus. The changes outlined in the Cabinet document were used as the basis for a series of bilateral discussions with provincial officials that were held in July and August. Officials from LIP had already met with representatives from the provinces in April to discuss their concerns with the 1972-73 programs. The views of most of the provinces were well known to officials at the department. There were individual complaints, but most provinces resented the incursion of the federal government in areas considered to be part of provincial jurisdiction. There was a considerable easing of the province’s concerns with the announcement of plans for the Social Security Review. The federal government promised closer cooperation between the federal government and the provinces over any further initiatives in this area. The rash of

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* NAC RG 118 ACC 85-86/071 Vol. 115 File 3440-8-5(2) Pt. 1 LIP Meetings, Conferences, Etc. Federal/Provincial Consultations Memorandum to Eugene Harrigan Ontario Region from E. Plue, Federal-Provincial Liaison Officer September 17, 1973 Re: Indian Problems/ LIP Applications.
* NAC RG 118 ACC 85-86/071 File 3440-1 Gen (73-74)(2) Pt. 1 Memorandum to the Minister from Alan Gotlieb Deputy Minister Manpower and Immigration February 26, 1974 Re: Scheduled Termination of LIP projects. The Deputy Minister would remind the Minister of this in a Memorandum in February 1974: As You will recall that in setting up the 1973-74 program it was decided to stagger the termination dates to minimize the impact and likely repercussions of the terminations."
LIP demonstrations in the spring, however, re-ignited the debate over federal job creation programs and strengthened the resolve of the more vocal provincial opponents, especially BC, Ontario and Quebec. Their responses to the consultation efforts were predictable. In a letter to the Prime Minister the Ontario Premier accused the federal government of approaching the provinces to discuss LIP after the main decisions were made about the overall direction and design of the program.  

The first round of consultations with the provinces were completed on August 16. In a series of concessions to the provinces, officials with the task force made a number of changes to the 1973-74 LIP criteria. Preference would be given to new sponsors and projects. Groups requiring on-going funding would have to provide “proof” of these funds with their application to the 1973-74 program. Projects that involved provincial jurisdiction would have to comply with provincial rules and regulations. In Quebec, this reinforced the provision that had been attempted the previous year. All daycare projects would have to comply with provincial licensing regulations. In a major concession to Quebec, it was also agreed that the provincial governments would be able to screen projects that were not considered to be consistent with provincial priorities.  

There were no formal consultations with LIP sponsors or their target population. The organized and politicized service sector’s views were well known to department officials and the Minister. A brief submitted to the Minister by Toronto’s Metro Working group on March  

27 NAC RG 118 ACC 85-86/ 071 Vol. 115 File 3440-8-5(1) Pt. 1 JCB- LIP Meetings Federal/Provincial Consultations Memorandum to the Minister from A. Gotlieb Re: Provincial Review of LIP Projects 1973-74 August 27, 1973. In a Memorandum to the Minister on August 27, Gotlieb cautioned against an interpretation of this guideline which might indicate that the provinces had a veto over federally funded projects. According to Gotlieb, the provinces would have an effective say in terms of general objectives and employment priorities. The decision to approve individual projects, he felt, should still rest with the Minister.
21 provides a useful summary of the concerns of this sector. The impact of the program was contradictory. LIP was, at best, a stopgap solution to the unemployment crisis and an ineffective mechanism to expand social services. At the same time, the program did meet social needs: LIP provided workers with an opportunity to do meaningful work in small workplaces; employment was made available for people who had difficulty finding jobs; and the program provided jobs for individuals who would otherwise be forced to rely on unemployment insurance or social assistance. When LIP projects ended many of these workers were again faced with unemployment. Efforts to seek alternative funding were generally futile. Philanthropic organizations were reluctant to fund "new" and "alternative" services. It was difficult to become self-sustaining on a fee-for-service basis when most of the clients for LIP projects had low incomes.3

The Canadian Council on Social Development also submitted a brief to the Minister on July 12. The brief made a number of recommendations for changes to LIP including: (i) the inclusion of community panels to review projects for approval and potential extensions in the spring; (ii) the use of multiple application and selection dates that would be spaced throughout the year; (iii) better federal-provincial consultation to ensure that other levels of government were willing to finance "demonstrated worthwhile projects"; and (iv) the provision of more technical assistance for project sponsors. To keep the program "innovative," the government should discourage applications from municipalities and more established organizations.4

Andras was not entirely unsympathetic. He discussed the problems facing LIP sponsor organizations in a relatively candid interview with the media in mid-July. He was favourably disposed to another round of LIP for 1973-74. LIP was job creation with "a strong social development objective." The problem was trying to balance these concerns against the

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3NAC RG 118 ACC 85-86/ 319 Vol. 121 File 3440-22-2(1) Pt. 1 Brief from organization of LIP projects in Metro Toronto to Robert Andras, Minister of Manpower and Immigration Re: June 1 deadline March 21, 1973.

4 "Shape of LIP in the Future?," The Gazette (July 12, 1973).
employment priorities of the program:
	his is my dilemma . . . LIP was conceived and funded to combat unemployment in areas and times where it is high . . . But it wasn’t just work. It created the kinds of jobs useful to society and these social programs have taken on a justification of their own."

As unemployment dropped, however, the government was hard pressed to justify continued funding. Part of the problem was justifying expenditures of over $200-million for LIP when the government was trying to find funds to increase family allowances." The government needed “the courage to switch off funding if necessary.” It would be difficult to cancel LIP entirely. There were too many groups with vested interests in the program:

I don’t blame the LIP people for raising hell . . . They’re telling me they don’t give a damn where the money comes from just as long as they can continue." OFY and LIP were still “two of the best and innovative programs” that the government had introduced. Both programs “took very restless energy and channelled it into more social change than sporadic demonstrations could have accomplished.” The Minister was willing to gamble against the “odd pot farm” in favour of the benefits of the programs. In Quebec alone LIP projects forced unemployment down from 10.3% to 9.6%. Still, the government should only be an employer “of last resort” when the private sector could not “keep pace with unemployment.”

The Liberal Caucus was the third set of interests consulted during the review. An official liaison was set up between the caucus and program officials in mid-July. The Parliamentary Secretary for Manpower and Immigration, Mark McGuigan, was given responsibility to chair a caucus working group to discuss the new proposals. An internal memorandum described the main complaints of the MPs: (i) the perceived “loose nature"
of the program; (ii) the funding of “fringe groups” and (iii) the “power” of civil servants. A meeting with LIP officials and Liberal caucus members resulted in a number of changes to the proposed 1973-74 program. The MPs were adamant that the program should use constituency boundaries for the selection of community advisory groups and the allocation of funds by riding. Mackie and Manion also agreed that MPs could review all applications and appoint CAG members. The day after the meeting with the Liberal caucus, Andras sent a letter to the Prime Minister advising of the plans for the 1973-74 LIP. The letter acknowledged Trudeau’s “special interest” in the program and described the meeting with MPs as “fruitful.”

**LIP 1973-74**

Cabinet approved an allocation of $83-million for LIP and an additional $17-million for the Federal Labour Intensive Program two weeks later. Andras announced the allocations at a press conference on August 24. The $100-million for LIP and FLIP would be in addition to the ongoing commitment of $195-million in loans to municipalities under the Winter Capital Projects Fund announced the previous December by Turner. The text of the Minister’s statement stressed that the 1973-74 LIP was based on the “success” of previous years, but that program was “moving in new directions.” “Creativity and imagination” were still major factors in the design of the program. The federal government’s job creation programs were still under review. Andras expected to announce a more permanent program in the spring of 1974.

The Minister was adamant that there would be “no extensions” of LIP in the spring of 1974. He went on to warn that Canadians would have to learn to live with high unemployment in winter particularly among young people and women who continued to

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*NAC RG 118 ACC 85-86 File 3440-1 General (73-74)(1) Pt. 1
Letter to the Honourable Pierre Trudeau Prime Minister from Robert Andras Minister of Manpower and Immigration August 2, 1973.*
"flood" the job market. The private sector was creating jobs at a phenomenal rate, but the
growth of the labour force was also large: "the private sector can't absorb all of this." Unemployment was likely to increase, but LIP was the "least expensive way of creating jobs." The main changes included in the Minister's announcement were the same as the ones listed in the original Cabinet Memorandum in February: the maximum amount per project would be $75,000; there would be a new system of constituency advisory groups, "new" groups and projects would be preferred and any projects requiring funding passed March 31 would have to "prove" that they had alternative sources of funds. All groups would also have to comply with provincial regulations. If they fell under provincial jurisdiction, sponsors would have to show "evidence" of provincial support. This was a concession to the province of Quebec. Officials there were still concerned about the implications of LIP funded daycare.

While there were strong lines of continuity with earlier LIP programs, the announcement of the 1973-74 LIP marked an important turning point in the administration of the program. Up until now the actions of the politicized sponsor base had been effective in pressuring the government to extend the program and get more money. This influence was diminished considerably during this round of the task force review. Most of the changes for the 1973-74 program can be traced directly to discussions between the Minister and senior officials at Manpower and Immigration in January 1973. Almost all of these changes were designed to limit the political pressures from the LIP sponsor base. The concessions to the provinces and the MPs only served to further restrain the groups. In an important concession to the Liberal caucus, allocations would be made on a constituency basis and MPs were responsible for appointing members to LIP constituency advisory groups.

Not everyone was convinced that these changes would lessen the political impact of

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"E. Malling, "Ottawa Warning: Learn to live with unemployment," *Toronto Star* (August 24, 1973)."
the program. In a letter to the Director of computer services on August 13, the Director of Administration at JCB described the situation:

our political masters have again dallied to the point where the time available to you is almost impossible . . . we have endeavored to keep change to the minimum but the structure of the program has changed slightly this year with the result that the political involvement will be even more intense than in the two previous years."

This glib comment in a Memorandum turned out to be quite prophetic. With the prospect of a 1974 election “in the air,” opposition MPs were not anxious to let the “politics” of LIP die yet.

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Participation and patronage: Fall 1973

The seasonally adjusted rate of unemployment declined over the summer months and into the fall. As a result, the government's attention shifted to the problem of rising inflation and the impact of labour tensions in September. Over the summer months, concerns had escalated about rising prices, particularly for food. 80,000 workers went out on strike in August. In late August MPs were called back to the House of Commons to debate legislation that would force railway workers to end a series of rotating strikes. In the House of Commons the Minister of Finance, John Turner, argued that the unemployment rate was low relative to the seasonal rate for the previous September. Andras resisted calls from the opposition to put more funds into LIP.

The first controversy involving LIP emerged over the role of constituency advisory groups in late September. In August Andras wrote a letter to MPs inviting their participation in the program. The letter stressed the need to encourage greater participation by MPs in the process of selection:

many MPs have indicated to me their desire to participate more fully in the process of coming to decisions about LIP . . . in as much as community betterment is the most important result of job creation projects, some means are necessary to enable the community to voice its opinion as to the quality and appropriateness of projects in a democratic manner.

For many opposition members, however, the new constituency advisory groups represented an attempt to "coopt" their support for the government and the program. 47 Tory and NDP MPs rejected the offer to appoint advisory groups in their ridings.

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*NAC RG 118 ACC 85-86/ 071 Vol. 120 File 3440-22-1 Pt. 1 LIP Enquiries and Complaints General Memorandum to Alan Gotlieb Deputy Minister Manpower and Immigration from J. Boyd Assistant Deputy Minister (Manpower) August 2, 1973 Re: Draft letter to MPs from the Minister of Manpower and Immigration.

*P. Best "Not all MPs like the idea of riding groups ruling on LIP bids," Ottawa Citizen (September 12, 1973). There had been a similar outcry about the role of advisory groups in OFY but MPs were not directly responsible for appointing members in that program.*
The introduction of constituency allocations further politicized the program. Accusations of patronage escalated during October, November and December of 1973. Three factors contributed to the increased pressure: (i) for the first time the allocations were being made on a constituency basis; (ii) MPs were now directly associated with project approval and (iii) there was less money available. MPs were under increased pressure to try to get funds for their ridings. Media articles from English Canada stressed that the largest provincial allocation was again going to Quebec. In the House of Commons both opposition parties charged that the Liberals were favouring their own ridings. The most vociferous attacks came from the Tories. Paul Hellyer, one of the more vocal opponents of the program, charged that the government had ignored local factors of poverty and unemployment when allocating the grants. To prove his case the MP released a document showing that the average dollar allocation by party for each province. He accused the government of “blatant political patronage.”

These allegations were understandable. Liberal ridings received more than half of the $83-million allocation. Andras’s argument that Liberals were more likely to represent poor and working class ridings failed to impress opposition MPs who were unable to “deliver” job creation dollars in their own riding. Furthermore, it was difficult to argue that the program was not political in nature. Liberal party activists announced projects in ridings where there was no sitting Liberal member. The Quebec provincial election was scheduled for October 29. Project approvals in Quebec were released by Liberal Party organizers the day before the election.

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NAC RG 118 ACC 85-86/071 File 3440-1 General (73-74)(2) Pt. 1 Memorandum to the Minister of Manpower and Immigration from A. Gotlieb Deputy Minister November 30, 1973 Re: Announcement of LIP approvals by provincial sources in Port Alfred CMC Area. An internal memo advised that no letters of rejection should be sent to LIP sponsors in Quebec before end of the month.
There was also the suspicion, strongly held by MPs on both sides of the House, that a federal election was "in the air." Andras was the election co-chair for the Liberals in the 1972 election. The opposition strongly suspected the government Party of trying to use job creation money as a means of building popularity in ridings that they already held and others that were interested in courting for the next election. The National Director of the LIP, Yves Charette, denied the charge that funding was related to election prospects. When asked why Liberals received more money he reiterated the view that Liberal ridings were poorer. The higher amount could also reflect the capacity that some ridings had for generating more LIP proposals than other.43

A beleaguered Andras defended his department’s allocation formula in the House of Commons and before the Miscellaneous Estimates Committee in November. The Minister admitted that there was “no single mathematical formula” and that constituency allocations were “satisfactory to no one.” The system was still fair. The department had given its best efforts to introduce a more objective distribution of funds than in the past. These explanations did little to quell the political storm brewing in the House of Commons. Opposition MPs remained convinced that the lengthy allocation process described by the Minister left considerable room for political discretion. One journalist described conditions in the House of Commons:

MPs approach LIP season as though it were a time to hunt the heads of those

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* NAC RG 118 ACC 85-86/319 File 3440-1 Pt. 1 General (73-74) Memorandum to Regional Coordinators from the Director of Operations October 22, 1973 Re: Winter Unemployment Statistics. The issue of constituency allocations proved to be considerably more complex than either the opposition’s patronage allegations or the government’s defense of the program suggested. The department did not have the data to support an allocation formula based on local unemployment figures. JCB officials warned against the move to constituency allocations for this reason in late August. They were overruled in a concession to the demands of the Liberal MPs. Statistics on unemployment were not available on a constituency basis. Until this point the federal government had relied on the Labour Force Survey conducted by Statistics Canada and the CMC statistics on the number of registered unemployed. Neither of these sources were particularly accurate for small area data.
who dispense $83-million."

The political impact of this debate was not lost on Andras or other members of the Liberal Cabinet. The new provisions in LIP that were ostensibly designed to minimize political conflict over the program were not particularly effective. The Opposition continued to call for an increase in funds for the program. The seasonally adjusted unemployment rate dropped to 5.6% in November from 5.8% in October. The opposition charged that the total number of unemployed still stood at 468,000—39,000 higher than the total for October. Andras continued to insist that the unemployment situation did not warrant additional funds. The government was committed to developing programs for the jobless and less fortunate. The problem of winter unemployment, however, was not serious enough to warrant additional funds. The government was still awaiting the federal-provincial Social Security Review that was expected to recommend policy directions in this area.

"MPs go LIP hunting with shots at Andras," Ottawa Citizen (November 9, 1973).
November 30 Project Deadline

As the November 30 deadline approached, LIP organizations began to mount political pressure over their potential demise. Officials with the program stressed the 1973-74 LIP criteria that only “new” programs would be considered eligible. This left most of the projects that were extended in the spring in a tenuous position. In October the Director of LIP wrote to the Director of Operations for advice about how to handle these cases. In previous years, projects that were about to conclude had re-applied to the program for funding under the next year’s allocation. The problem was that many of these groups were able to exert various “forms of coercion” on the department so that their projects could continue from one year to the next. There was evidence that some of these projects were managing to continue to do so again, despite the need for CAG prioritization and the new criteria for assessment approval. The department needed to “hold firm” on the criteria on “new project” funding.

Daycare remained a particularly thorny issue. In Nova Scotia LIP officials and daycare organizations were successful in negotiating an agreement with the provincial government. In mid-October the province signed an agreement that would ensure that JCB would provide funds for all licensed daycare centres in the province until April 1, 1974. At that time the province would assume on-going responsibility for financing the centres. As a result of that agreement, the JCB Regional Office extended daycare projects funded under the 1972-73 program until November 30 pending ministerial approval of funds to continue until April 1, 1974. Later special funding was made available to these projects to ensure that the commitment of funds would not be taken out of the regional allocation.

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* NAC RG 118 ACC 85-86/ 071 File 3440-1 Pt. 1 General (73-74)(2) Memorandum to Yves Charette Director of LIP from D. Haslegrave Director of Operations JCB November 20, 1973 Re: decision regarding November 30 close-outs.
* NAC RG 118 ACC 85-86/ 071 File 3440-5(4) Pt. 1 CAG Letter from Halifax Constituency Advisory Group to Honourable Robert Andras Minister of Manpower and Immigration November 14, 1973. This was a significant amount of money vis-a-vis the total LIP allocation for Halifax. Separate funding for the daycare projects would
memorandum indicated that this special funding had the support of a number of Nova Scotia MPs."

The issue of daycare funding was more contentious in Quebec. One memorandum described the escalating tensions over this matter as "volatile." Under this year's criteria, all projects that were funded under 1972-73 program were eligible for funds if they could produce evidence that they were assured on-going funding in the spring. Using this criteria only one of these projects had been extended from November 1973 to March 1974."While several provinces complied with this arrangement, Quebec remained opposed to funding LIP daycare centres. The provincial representative responsible for the funding argued that Quebec was unable to "afford" the costs associated with these programs. LIP daycare projects had to investigate ways of reducing costs. The provinces wanted parents to contribute part of costs."

At a meeting in Victoria, the provincial Minister for Social Services, William Levis, threatened to "disassociate" from LIP. The main concern was the lack of coordination and brevity of funding. In his public statement Levis argued that the lengthy delays involved in project approvals or extensions meant that his department was "besieged with requests from community groups to rescue their projects." This type of "grants brinkmanship" created intolerable pressures on LIP workers who did not know if their employment would continue. Projects had taken out loans while they waited for news about their projects. Levis' department had 12 staff trying to sift through and review projects. The province would only consider its decision to pull-out from the program if a decision about the extensions for the

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release $243,574 to $308,964 for other projects in the constituency.

"NAC RG 118 ACC 85-86/071 File 3440-1 General (73-74)(2) Memorandum to Yves Charette Director of LIP from J. Grant Re: Daycare Centres in Nova Scotia.

"Ibid.

"Ibid.

"Ibid.
1973-74 program were made by January 31."

The negative publicity continued throughout most of December. There were two occupations of daycare centres on December 10 and 11 in Montreal. On December 15 two CMC employees were abducted and later released by workers at two daycare centres at Rimouski and Mont Joli, Quebec. Criminal charges were laid against the individuals involved. An angry Andras indicated that he may have been inclined to fund the project before this incident, but the use of violence was unacceptable. "On December 19 the federal auditor’s report complained LIP purported to be winter works but some projects under the 1972-73 program extended into the spring. The main concern, however, was that the government had transformed LIP from an emergency winter jobs venture into a program of “continuing employment aid.”"

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"NAC RG 118 ACC 85-86/319 File 3440-1 Pt. 1 General (73-74)(1) Memorandum to J. C. Best Director of Operations from the Director General (Quebec) Re: Compte rendu de l’occupation des locaux PIL les 10 et 11.

Transfer of OFY

While the battle over LIP's public image dominated the public debate over job creation policy, plans were underway to transfer OFY from the Department of Secretary of State to the Department of Manpower and Immigration. The prospect of moving OFY to Manpower and Immigration had been the subject of considerable debate form the program's inception in the summer of 1972. In the view of officials at Manpower, the program was an "employment program" and therefore fell under the rubric of manpower policy. Officials at Secretary of State had historically resisted the move. The rationale for keeping the program at Secretary of State had been its "innovative" and "social development" objectives. While he was Minister of Secretary of State, Pelletier fought valiantly against efforts by successive Manpower Ministers to usurp the program.

A number of factors made it easier to transfer the program in 1973. Many of the individuals who had defended the program in the past, had moved to other positions. Pelletier moved to the Communications portfolio after the election. Jules Leger, the Undersecretary became Canada's Ambassador to Brussels in early 1973. Max Beck the program's second National Director left OFY in the spring for a position with the Department in BC.* There was also a growing perception on the part of the Minister and senior officials in the department that OFY had become a political liability. The student unemployment rate was considerably lower in 1973 than it had been in previous years and applications to the program had declined significantly." The Minister was criticized heavily in the House of Commons for continuing to support a student unemployment program in a period of relatively strong private sector growth.

With the announcement of Cabinet's plans to consolidate job creation programs in the winter of 1973, it was clear to officials in both departments that some type of integration of

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* See Bernard Ostry, The Cultural Connection 118. Interview with Max Beck (March 1994).
OFY and LIP would have to be considered. On November 8 a Memorandum submitted to Cabinet by Andras described the move as part of the more general consolidation of job creation programs being considered by the Interdepartmental Task Force and the Social Security Review. In a Memorandum announcing the move to staff on December 14, Faulkner maintained that OFY would remain an “employment” program with a distinct “social” character.

By December 20 the transfer was complete. Not all of the OFY staff were enamoured with the move. Media reports claimed that the staff in Quebec were particularly discouraged. In Alberta one project officer was reported to be leery about the transfer:

A lot of us feel we are going to lose a lot of freedom under Manpower and Immigration.

The same article quoted an official from JCB who “acknowledged a few rumblings of discontent.” A few project officers quit in Quebec, but the majority remained.

The suspicion that the administration of OFY was about to change was well-grounded. In a confidential Memorandum to Mackie on November 23, the Assistant Deputy Minister of Manpower, Jack Manion outlined a series of changes that were under consideration for the 1974-75 fiscal year. The Department had a total of $42-million in reserve for job creation for the summer of 1974 and $100-million for LIP. The Deputy Minister had recommended that the total $142-million should be viewed as one reserve to tide the Branch over until the Community Employment Programs came into effect in April 1975. This would mean that the allocation for the student program could be reduced to

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* “OFY Chiefs Fear Takeover by Department of Manpower,” Calgary Herald (November 1, 1973).
* Ibid.
* NAC RG 118 ACC 85-86/ 071 Vol. 3 File 3000-8-1(2) Pt. 1 Job Creation General Memorandum to Cam Mackie Director General JCB from Jack Manion Assistant Deputy Minister (Manpower) Re: Job Creation Strategy and Timetable November 23, 1973.
$20-million. Another $15-million could be allocated to a program designed to address the needs of young people who were not returning to school. This new youth program could be continued in the fall and winter months of 1974-75 using the winter reserve funds.~

A column in The Toronto Star by Richard Gwyn the following day lamented:

the Death knell has sounded for OFY. The Trudeau government is about to abandon the most creative program of its first term in office.

The decision to transfer OFY and reduce funds for student unemployment reflected three factors: (i) the government’s concern about spending money; (ii) Cabinet’s determination to reshape job creation programs and (iii) changing political conditions.~ These changing “political conditions” included the fact that university students no longer alarmed politicians. Student unemployment declined to 3.2% during the summer of 1973. That figure was low enough to allow the cabinet ministers who were already disturbed by the so-called welfare backlash after the October 1972 election to conclude that an allocation of $40-million was no longer justified for the program.~

~ Ibid.
~ Ibid.
Shifting Priorities

The plans to cutback funds for the 1974 OFY program reflected a much broader shift in the political priorities of the Liberal Cabinet. As the Liberals prepared for the prospect of a 1974 election, Cabinet members were committed to securing the support of the business community that many felt had abandoned the party during the last election. Inflation and the energy crisis replaced unemployment as the main political priority of the key economic policy-makers. Cabinet members did not want to get an image as great social spenders. Several Ministers were already concerned about the fiscal impact of the increases to Old Age Security and Family Allowances that were introduced in late 1973. After a series of Liberal Cabinet meetings in December the word was sent out to all departments that the priorities for 1974 would be energy, industrial development, transportation and agriculture. Social issues were to be put aside as the government prepared its election platform. In a syndicated column in The Ottawa Journal, Richard Gwyn described the shift taking place:

"Governments when they change direction rarely do so in a neat and orderly way. Ideas and programs overlap and so obscure what is going on. So far in private only the Trudeau government is making such a change. Social issues are being put aside. The emphasis for 1974 is purely economics."

As the Minister Responsible for Manpower and Immigration, Andras was at the forefront of the Liberal's battle for a new image. The result was a critical shift in the overall balance of forces within the department. "Almost all of the programs administered by Manpower and Immigration reflected a balance between labour and capital. There were strong signs that the Minister was interested in changing the overall design of manpower policy to better represent the interests of business leaders. At a meeting with senior officials

“N. Hartley, “Andras on a tightrope, leaning to the right,” The Globe and Mail (April 27, 1974). Hartley provides an interesting contemporary account of the changes on Parliament Hill: “as fall turned to winter in Ottawa...it looked as though everyone had become a conservative...All the executive assistants cut their hair: everyone started slashing budgets and talking about the limits of pragmatic politics.”
at the Chateau Laurier in November, he advised:

From now on we have to stop concentrating on the minorities our department deals with (the 6% or so of Canadians who are unemployed; those students who do not find jobs in the private sector; the unemployment insurance recipients) and start paying attention to the average Canadians, the 90% plus majority who pay for the programs to help the minorities."

The government was having serious second thoughts about the expansion of social programs in its first term in office. This shift in priorities was not a move to the right, but rather a move designed to “protect the capacity to be liberal.”"

On November 8, the Minister submitted a paper to Cabinet designed to provide the Ministers with a “conceptual framework” for a series of policy decisions dealing with unemployment and the effective management of labour markets. There was “a developing opinion” that the overall rate of unemployment could be lowered by means of employment and regional development policy rather than macroeconomic policy. Manpower policy had to adapt to a “new and changing employment. The Minister acknowledged that unemployment was likely to continue throughout most of the decade. Canada was emerging from:

a clear-cut situation of substantial unemployment into one of still high unemployment, high inflation and growing labour shortage.""

The Minister repeated the view expressed in the Final Report of the Price and Incomes Commission that the rate of unemployment was itself “suspect.” Seasonal adjustment factors were obsolete. Some of the unemployed were not counted such as status Indians living on reserves, welfare recipients and youth “who have dropped out of society as well as school.” At the same time employers were “ clamouring for workers.” Some of

" Ibid.
"" Ibid.

NAC RG 118 ACC 89-90/ 039 Box 22 File 3060-0 Pt. 1 Memorandum to Cabinet from the Honourable Robert Andras Minister of Manpower and Immigration Re: Effective Management of Labour Markets in Canada: An Emerging Strategy November 8, 1973.
these employers may be at a competitive disadvantage because of low wages and poor working conditions, but "good employers" were also having problems. Close to 50% of the unemployed were youths under the age of 25 years and their unemployment was worsening. By comparison the unemployment rate for men and women over the age of 25 was very low—2.9% for men and 3.4% for women. The unemployment rate was higher in particular regions and for groups such as former mental patients, some immigrants, "alienated" youth and those of "lower competitive capability."

The persistence of acute labour shortages, high unemployment and high unemployment insurance payments was considered to be "an embarrassment to the government." In addition to being a drain on funds, there was also the problem of the "antagonism" of employers and the "general public hostility to the mis-use of public funds." Action needed to be taken immediately. Part of the problem was that staff were "confused and demoralized" over the changes in priorities, philosophies and policies and the addition of new programs "seemingly piled on top of one another." The department was criticized for being inefficient because jobs seem to abound while unemployment remained high. Since its inception in 1966 the department had had five Ministers, four Deputy Ministers and four Assistant Deputy Ministers responsible for Manpower."

Officials in the Department had arrived at two main conclusions. First, manpower policies could make a major contribution to lowering the unemployment problem if they were directed selectively to deal with particular problems of employers and workers. To be effective, the employment service and the rest of the department needed to be reorganized. The main proposal involved the restructuring of the CMCs. This involved a major shift in the basic placement philosophy of the employment service. Employment counsellors would have to more aggressively "market" unemployed workers to potential employers. A number of other changes were envisioned including: (i) a consolidation of the department's direct job

"Ibid."
creation activities; (ii) a new set of initiatives to alleviate youth unemployment and services to help disadvantaged workers; and (iii) an expansion of the department's efforts in the area of manpower planning and adjustment and the more effective use of training.

The paper went on to outline a new "full opportunity plan." The term referred to:

a broad mix of employment and social services, job creation, job finding and human resource development which broadens the ability of individual to engage in social and economically useful activities in either the public or private sectors"

"Full opportunity" was preferable to the concept of "full employment" which was:

less than the total answer and, in any event, represented an issue which has taken on negative connotations in minds of some members of public."

The emphasis on "selective measures" and "full opportunity was considered to be consistent with the approach being developed in other OECD countries. The programs could be oriented towards specific target groups including women, native people, youth and disadvantaged groups "who have difficulty securing a niche in the economic and social mainstream of our society."

Job creation was expected to play a prominent role in this new "full opportunity" framework. Instead of government alone "determining what will be done and for whom," job creation programs secured the involvement of communities and target groups. This allowed groups to contribute to "community betterment" and "reduce the non-productive dependence on Unemployment Insurance and social assistance." There was also a considerable cost-saving involved. Community-based job creation programs met a range of national needs at a no greater dollar cost and probably less dollar cost than traditional methods of promoting the same volumes of employment and community services.


"Ibid."
Job creation programs, however, were not a substitute for private sector job creation. Nor were they supposed to be the only means of providing opportunities for work for “everyone who wishes to participate in the labour market.” There were two possibilities: integrating a work experience program with existing income maintenance programs and introducing a system of direct wage subsidies. The latter proposal was “controversial” but could provide the private sector with the cash incentive to employ persons who would not otherwise secure work.*

Two points stand out in this discussion of the potential role for manpower policy and job creation. First, the government was clear that unemployment was likely to continue throughout the decade. The description of the “new unemployment” confirmed the view that had building since the PIC Final Report that unemployment was a far more complex phenomenon than had been the case in the late sixties. This observation reflected the view that unemployment was no longer considered a “temporary” phenomenon. The government no longer considered “full employment” to be a realistic goal. This was consistent with the view put forward in the Working Paper on Social Security in March. In another speech to Cabinet in November the Minister made it clear that the government’s role was not to “create a job for everyone who wanted to work.” In the context of rising unemployment the role of manpower policy was to “selectively target” those individuals who needed the most help. The private sector was responsible for “creating jobs.”

This shift in the ideas governing manpower policy reflected a much broader shift in the overall balance of interests being represented inside the department. While it is clear that the government’s commitment to full employment had been tenuous at best, the redefinition of the term implied that there would be an increased tolerance for rising unemployment. The changing definition of the “new unemployment” offered politicians considerable room to dismiss the new body of “secondary workers” represented by young people and women.

* Ibid.
Manpower policy would still address the problem of "selective" types of "real unemployment." The first major sign that the Cabinet "meant business" on this new design was the decision to deny Andras a request for $40 million for LIP in December. This was the first time that a request for additional funds from the Minister had been turned down. In the House of Commons Andras defended the decision. Winter unemployment was not severe enough to warrant additional funds. The reality was that unemployment was not a serious enough political issue for the Liberal Cabinet to consider increasing the level of funds.
Battles with the Liberal Caucus

Andras had his first run-in with the Liberal caucus in January 1974 over Cabinet’s decision to restructure OFY. Plans to reduce the program to $18 million were brought to the Liberal MPs before being announced in the House of Commons. MPs from Quebec and Ontario were the most vocal in opposing the proposed cuts. The Quebec MPs debated the planned reductions for OFY the week before they were introduced to the caucus and they were solidly opposed to the cuts. The revolt was described by Andras in one media account as the “worst time” he had ever experienced before caucus. In response to this lobby Cabinet agreed to increase OFY to $30 million. The total allocation for student programs remained at $40 million. To accommodate the increase to OFY, the other programs in the summer student package (including the public service employment program) were reduced by $10 million. The program hardest hit by the redistribution of funds was the program that provided jobs directly in the civil service.·

The Minister’s dispute with the Liberal caucus over OFY was widely described in press reports. According to internal documents, these reports were accurate. The “leak” of the story to the media was attributed to a Quebec MP.· For the most part, however, members of the media remained sceptical of the motives of the Liberal MPs in this exercise. According to one article, the MPs were concerned less with “the quality of life” and more with “the quality of patronage.” MPs received little “political credit” for jobs created in the public service. OFY had a stronger political profile and was more closely identified with government MPs. Regardless of their motivation, the Liberal caucus had flexed their muscles (with some success) in defence of the summer student program.·

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· NAC RG 118 ACC 85-86/071 Vol. 234 File 3972-1 1974(1) Pt. 1 Translation by M. Desjardin “OFY From $40 million to $18 million,” La Presse, Copy attached to Memorandum to Alan Gotlieb Deputy Minister Department of Manpower and Immigration from Jack Manion Assistant Deputy Minister Re: La Presse Leaks.
OFY may have been "saved" by the political actions of the Liberal caucus, but the government was committed to further cost-cutting measures. Cuts to the 1974 student employment package were defended by Bud Drury, the President of Treasury Board, in March. The government trimmed $12.46 million from the summer student program because the number of students needing jobs had "stabilized." The private sector was creating more jobs."

There was another round of protests over the decision not to extend LIP projects in February and March, but the Minister was adamant that there would be no spring LIP. In March Andras told the Committee on Labour, Manpower and Immigration that the government had made no decision whether or not to continue LIP for 1975-76. The future of the program lay in the review of social security and community employment. Energy developments were having less of an impact on unemployment than was originally anticipated. LIP would have probably continue to have a "back up role" in solving seasonal unemployment problems:

    I think it should be used as a residual tool after improved traditional manpower approaches and private sector job-matching."
Community Employment Strategy April 1974

Plans for the new Community Employment Strategy were unveiled at the federal-provincial Welfare Ministers’ Conference in April. On April 30 Andras announced that the federal and provincial governments were about to embark on a series of pilot projects aimed at providing employment for the “disadvantaged” unemployed. The emphasis on the program would be on coordinating existing programs at the local level to ensure that this group would be provided with the support and work experience required to “reintegrate” into the regular labour market. The new strategy would involve representatives from the federal government, provinces, private businesses and local communities in the design and delivery of pilot projects.

In a speech to the Burlington Chamber of Commerce shortly after, the Minister argued that the program was designed to act as a catalyst to get done “a hundred things we need to do in every Canadian community” such as social services, beautification, recreation services, anti-pollution activities and non-profit activities sponsored by business:

We are spending billions in Canada to maintain many of our fellow citizens in a state of unwilling idleness and deterioration of spirit. At the same time, there are many things we need to do and for which our tax dollars just will not go far enough. Why can’t we use wasted energies of our fellow citizens to build and run parks, playgrounds, libraries, daycare and activity centres?

Members of the Employment Working Group of the Social Security Review had been meeting since August 1973. The proposal submitted to Cabinet in February outlined plans for an “experimental” program that would develop a number of pilot projects in each province. The emphasis would be on the coordination of existing programs at the community level to ensure that the needs of the “disadvantaged” unemployed were met. This proposal was worked out further at informal meetings of the Committee on Social Security held at Harrison Hot Springs in April and May. According to documents summarizing these

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"Cited in N. Harley, “Chronic Jobless target of program planned by Ottawa,” The Globe and Mail (April 30, 1974)."
meetings, the plan was to have one or two developmental projects undertaken in each province."

There were several reasons for proceeding with a series of pilot projects. Officials from the Manpower team argued that there were few international examples of the program and the federal government had few examples to follow. The discussions over the program seemed to involve "endless ramifications" for interdepartmental and intergovernmental jurisdiction and the federal government had to be cautious not to "squander the potential" in the program. The other issue was cost. In a period of "tight" spending it would be difficult to find money for a large-scale program." In a Memorandum to a colleague, Ivo Krupka, the coordinator of the program, indicated suggested that the biggest opposition was anticipated from officials from the Department of Finance:

"the scenario that frightens the Department of Finance the most is the prospect of growing public sector employment... to address the social consequences of private sector activity... they are concerned that anything that approaches guaranteed annual income will reduce private sector responsibility"

The provinces were not enthused with the prospect of an experimental or developmental program. Quebec, in particular, was strongly opposed to the idea of starting pilot projects. There was a strong concern that the federal government would pull out and leave the provinces "holding the bag."" In bilateral discussions after the February meeting other provinces also expressed concern. By July, however, Andras had cautious approval from all provinces to proceed. Few provinces were excited about the prospect of introducing a new cost-shared "pilot" program in the context of tight fiscal budgets.

A detailed proposal for funding was submitted to Cabinet on July 26. Cabinet

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"NAC RG 118 ACC 89-90/039 Box 22 File 3060-0 Pt. 1 CES National Policy November 1973 to May 1974 General Conclusions Regarding Community Employment and discussions at Harrison Springs, May 17, 1974

2NAC RG 118 ACC 89-90/039 Box 22 File 3060-1 Pt. 1 CES Memorandum to Jack Manion from I. Krupka Re: CED March 22, 1974. In this Memorandum Krupka indicates that there is still some tension between officials in the two departments.

3NAC RG 118 ACC 89-90/039 Box 22 File 3060-1 Pt. 1 Memorandum to Steven Wilson Strategic Planning and Research from I. Krupka Re: Economic Context of Community Employment, May 3, 1974.

R. Haddow, Poverty Reform in Canada 44."
approved a modest amount of $50 million over a three year period for the developmental phase of the program. The low amount reflected two sets of related factors. On the one hand, members of Cabinet were concerned about increasing federal spending generally and were reluctant to approve any new large-scale projects. Officials at the Department of Manpower and Immigration were also reluctant to pursue a larger project. The attention of the Minister and senior officials in the Department had already turned to the recommendations of the Interdepartmental Task Force report that was available in June."

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"See Ibid., R. Van Loon, "Reforming Welfare in Canada," Public Policy Vol. 27, No. 4. (Fall 1979) 469-504."
Interdepartmental Task Force Report June 1974

While the announcement of plans for the Community Employment Strategy received considerable publicity in April, the two reports being prepared by the Interdepartmental Task Force on Direct Job Creation were more central to the direction of policy taking shape at Manpower and Immigration. The Task Force research group divided into two working groups following the release of their interim report in August 1973. The Causal Factors Group was assigned responsibility to investigate the nature and causes of unemployment in the post-1965 period. The policy alternatives group was mandated to conduct a thorough review of existing federal job creation programs and possible alternatives. This group was expected to recommend policy options to the federal Cabinet. By November 1973 the work being done by these groups had already assumed a high profile vis-à-vis long-term policy development at JCB and Manpower and Immigration. The final drafts of both reports were available by the end of June 1974.

Causal Factors Group Report

The Report of the Causal Factors Group provides some important insights into the ideas that were informing the government’s new manpower strategy. The Causal Factors Group consisted of representatives from the main government bodies responsible for economic policy, including the Departments of Finance, Treasury Board, Statistics Canada, Economic Council of Canada, Regional Economic Expansion and Manpower and Immigration. As part of their mandate, the group commissioned a series of studies on topics ranging from surveys on the work ethic and job satisfaction to studies investigating the impact of unemployment insurance and the Canadian Manpower Training Program on labour force participation rates and unemployment. Several of these studies were conducted by staff

at the Strategic Research and Planning Branch of the Department of Manpower and Immigration."

The final version of the causal factors group study was available in June 1974. The main objective of the paper was to explain the difference between the unemployment rate of 1964-65 and that of 1973. The 1973 unemployment rate was 1.3% higher than the 1964-65 average rate. Given that seasonal unemployment was considered to have declined by .7%, there was an increase of 2% in non-seasonal unemployment that still needed to be explained. The second objective of the paper was to explain the composition of the 5.6% unemployment rate in 1973 by decomposing the rate into cyclical, seasonal, structural and frictional factors."

The report attributed the changes in the unemployment rate in the period from 1965 to 1973: (i) the impact of investments; (ii) changes in labour force composition; and (iii) labour market factors. The report attributed 0.4% of the increase in non-seasonal unemployment to cyclical factors and 0.2% to the changing age/sex composition of the labour force. The residual 1.4% of the 2% increase in non-seasonal unemployment could be broadly labelled labour market factors including: high levels of job turnover; the changing work ethic among young people and other structural factors."

The findings of the Causal Factors Group confirmed the views that had been expressed in Minister’s presentation to the Miscellaneous Estimates Committee in November

1973. Unemployment was more complex than had been originally understood by economists and policy-makers in the sixties. There was a need to target "selective" aspects of the problem. While the report dispelled the myth that the work ethic was dying, there were still concerns related to demands for job satisfaction and better working conditions. High rates of unemployment among young people remained a problem due in part to their poor attachment to the workplace. In general, the report made only limited reference to the problems associated with the structure of the labour market itself. While there were cyclical, structural and seasonal aspects of the problem, the increased labour force participation of young people and women remained a dominant theme to explain high levels of unemployment. Women were not only entering the labour market in large numbers, the problem was that they planned to stay there."

The causal factors report was hailed as a "significant" report in a Memorandum to Gotlieb from Duncan Campbell the ADM in Strategic Planning and Research. According to Campbell, the report represented an important breakthrough in the analytic treatment of unemployment rates. The report went "well beyond the Feldstein hypothesis" in its efforts to isolate the broad magnitudes of the factors underlying both current unemployment levels and the shift from the low rates of the sixties to the higher rates of the seventies."

The view that there was a significant increase in the structural/frictional component of unemployment and a decline in the seasonal component had a number of potential policy implications. The government needed to examine the major and rising parts of unemployment and consider the allocation and re-allocation of resources to deal with it."

"Ibid.

"This is a reference to Martin Feldstein from Harvard University. Feldstein was a prominent monetarist economist who had gained considerable prominence for advocating the view that the "new unemployment" reflected the labour force behaviour of young people and women and the impact of more 'generous' unemployment insurance policies.

While the report was praised as an "analytic breakthrough," the Causal Factors paper simply reinforced the view of unemployment that had been taking shape since November 1973. High rates of unemployment reflected increased labour force participation of young people and women and a slow down in the economy. While the report acknowledged that unemployment had a disproportionate impact on different groups based on age, gender and region, there was a strong tendency to "blame" high levels of unemployment on the labour force behaviour of the unemployed, particularly women and young people. There was no discussion of the need to address the structure of the labour market. Furthermore, in the context of rising unemployment, the report made no mention at all of the government's commitment to either "high levels" or "full" employment.
Policy Alternatives Group

The draft report of the Policy Alternatives Group was available at the end of May. The report confirmed the overall liberal policy framework that was laid out in the Causal Factors Report. The review covered programs sponsored by four federal departments: Regional Economic Expansion, Manpower and Immigration, Treasury Board and the Department of Indian and Northern Affairs. The different programs were assessed using four major objectives of job creation policy: (i) to lower unemployment and promote economic stability; (ii) to provide an alternative to UIC and social assistance but not to other employment; (iii) to provide social service initiatives to improve community life; and (iv) to facilitate entry and re-entry into the labour market.

The report concluded that a considerable effort was being directed towards the reduction of unemployment and the promotion of economic stability. The two core programs at Manpower and Immigration, LIP and OFY, received a strong bill of health. The majority of LIP participants were unemployed prior to the program while OFY was aimed principally at students who would likely otherwise be seasonally unemployed. The contribution of these efforts towards the reduction of unemployment was lessened, however, to the extent that some increased labour force participation was induced. Many of the new entrants were females and many remained in the labour force after their LIP experience. To date, job creation in the industrial sector met with only limited success. This was especially the case for training on the job. As a method of relieving unemployment, institutional training provided only a transitory solution unless the training program was based upon the accurate identification and forecasting of labour market needs.

The report stressed the importance of having local involvement in the design and

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*Manpower and Immigration, Final Report of Interdepartmental Policy Alternatives Group* (Ottawa: Manpower and Immigration, 1974) S.

implementation of programs. This was particularly the case given the disproportionate impact that unemployment had on particular groups and regions. In the United States the federal government was developing a decentralized and small community approach to unemployment. The Departments of Manpower and Immigration, Regional Economic and Expansion and Indian and Northern Affairs were already investigating mechanisms to further decentralize their operations. The emphasis in these programs was different than the short-term impact of programs like OFY and LIP. It was important to consider the long-term economic impact of job creation programs and strategies at the local level."

As part of their study, the group undertook a major review of selected employment creation and employment subsidy programs in a number of OECD countries. There were only two examples of programs that were "suitable" to the Canadian context. The program that offered the most potential was the Public Employment Program sponsored by the federal government in the United States. Under Title II of the Comprehensive Employment and Training Act, the federal government in the United States provided funds to local and state governments and established agencies to hire the unemployed and underemployed in public service jobs. The American experience with the Public Employment Program was similar in many respects to the Canadian experience with LIP. The problem was that there was a strong "substitution effect" as local governments used these programs to expand their own bureaucracies. The American program was criticized for "creaming" by providing jobs for unemployed workers with higher levels of skills. The report concluded that there was scope for the development of a similar program in Canada to assist in the development of

* Ibid., 11-12.
* B. Goldman, New Directions For Manpower Policy: A Special Study for the C.D. Howe Institute (Montreal: C.D. Howe Research Institute, 1976). The policy legacy of work experience and work opportunity programs had a much longer policy legacy in the United States. The American government had introduced a number of programs to experiment with local involvement in direct job creation as part of the domestic War on Poverty in the mid-sixties. Most of these programs were tightened up considerably under the Nixon administration in 1969-70.
opportunities for hard-to-place disadvantaged.

An income subsidy scheme could also be devised either as an incentive wage subsidy to employers to encourage the employment of marginal labour or as an income supplement provided by the employee. Such a scheme might encourage increased levels of employment, particularly in low-paying jobs, by employers and provide incentives for individuals to remain on-the-job in preference to welfare or unemployment insurance. If an income subsidy scheme were implemented it could also encourage employers to employ people in low paying jobs and therefore provide an alternative to welfare or unemployment insurance. Such a scheme would be better oriented to the disabled and other hard-core unemployed.

The general conclusions of the report supported the status quo in the federal government’s strategy to promote job creation. The existing programs, on a collective basis provided a means of meeting objectives as defined in the report’s basic terms of reference. These programs were in general sufficiently flexible to meet the anticipated short-term labour market demands and needs. While other departments were involved, including Regional Economic Expansion and Indian and Northern Affairs, the main department responsible for job creation was Manpower and Immigration.

In his Memorandum to Gotlieb in June, the Director General of Manpower, Duncan Campbell, claimed that “it was not surprising” that the group failed to come up with “attractive alternatives” to the way that the government was currently handling matters. Only Canada and the United States had significant experience with high levels of unemployment since the late sixties. Other OECD countries were only now experiencing the problem. The result was that Canada had become an “expert” in the field. There was some interest in the US public employment programs, but the LIP model was still considered to be the dominant

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Manpower and Immigration, Final Report of the Interdepartmental Committee on Policy Alternatives Group, Strategic Research and Planning (Ottawa: Manpower and Immigration) 12.

Ibid.
model that was "most suitable" to Canadian conditions. That last comment in interesting in the context of the background review of foreign programs that was commissioned by the task force. The survey of different programs included the much wider range of programs from European countries. The only 'suitable' programs in this context came from two other Anglo-Saxon countries.

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109 NAC ACC 85-86/071 Vol. 3 File 3000-8-1 Pt. 1 Memorandum to Alan Gotlieb Deputy Minister Department of Manpower and Immigration from D. Campbell Assistant Deputy Minister Strategic Planning and Research 1-2.
International Acclaim

The release of the Interdepartmental Task Force's two reports confirmed that OFY and LIP would continue for the next fiscal year. The election campaign intervened but work on a proposal for a 1974-75 LIP season continued at JCB throughout most of July. The 1974-75 program was approved by Cabinet in mid-August. The base constituency allocation was $75000. Constituencies with unemployment rates that were higher than 4% would receive more funds. Andras announced the new program in a public announcement on September 20th. There were few criteria changes in the program for 1974-75. The average wage was increased to $115 and the provinces had a clear veto over project approvals. The main focus of the announcement was the decision to more closely target allocation rates.\textsuperscript{101}

News of a new round of LIP for 1974-75 was received with considerably less fanfare than previous announcements of job creation efforts. In part, this reflected the profile that general economic conditions and inflation, in particular, had assumed over the summer months. By September 1974 inflation and the problem of escalating labour tensions dominated the public agenda. The Liberals had hoped the economy would provide some respite after their majority win in July. Instead, there was no evidence that the inflationary pressures that had been building since the spring were about to ease. The economy began to slow down in early fall. The Speech from the Throne on September 30 stressed the government's concern over rising inflation. The government promised to "exercise restraint in its own expenditures" and to begin a series of meetings with business and labour to discuss what each sector might do to defeat inflation.\textsuperscript{102}

The profile of JCB within the Department of Manpower and Immigration was enhanced considerably over the late summer and fall as several international delegations expressed interest in the Canadian model of job creation programs. The impact of the


recession had widespread international dimensions by 1974. OFY and LIP were presented as examples of community-based job creation programs that could help ease the impact of unemployment on specific groups and regions. The distinguishing criteria was the emphasis both programs placed on involving community participation in the design and delivery of the programs. Officials at JCB used these international examples as evidence that job creation programs were “working.” Canadians were now experts in the field of job creation.

While a number of OECD countries expressed an interest in JCB’s model of community-based delivery, Australia, Britain and the United States were the countries most interested in duplicating elements of the design of OFY and LIP. Australia borrowed heavily on the Canadian experience to develop a job creation program that targeted areas of “excessive unemployment.” The Australia Regional Employment Development Scheme was announced by the Minister of Labour and Immigration in September 1974. The program was designed to assist non-metropolitan areas experiencing unemployment by providing grants for “socially useful labour intensive work.” Projects needed to demonstrate “outstanding social benefits” to the community or have strong regional implications to qualify under the program. Projects were preferred that were considered “economically viable.” Individuals employed by the scheme were required to undergo a monthly “worktest” for suitable alternative employment to ensure that the scheme did not prevent individuals from finding long-term employment.²⁰

Officials from the Manpower Services Commission in Great Britain also expressed an interest in the program. In January 1974 the British Commission contracted a study to prepare contingency plans in the event that unemployment escalated in that country. The

research team's evaluation of LIP outlined the program's strengths:

What appears to have been clearly demonstrated is, first, that if sufficient resources and opportunities are available, people, even those largely written off by society can engage in a process that provides significant learning experiences and contributes to their overall well-being. 104

An article in the *The London Observer* in December claimed that the Manpower Services Commission was investigating the prospect of job creation program modelled after the "adventurous" Canadian LIP. 105

In the United States, members of the Scales Minority Council of the American Subcommittee on Employment, Poverty and Migratory Labour Committee expressed interest in LIP and other programs sponsored by JCB. 106 The Americans were interested in expanding public sector job programs and revising the methods of financing and administering programs sponsored under the Comprehensive Employment and Training Act. 107 There were other delegations from Belgium, Sweden, the Organization for Economic Cooperation and Development and the International Labour Organization. The ILO was interested in developing the LIP model for application in the third world. 108

While officials at the Department of Manpower and Immigration used this public acclaim to argue that the Canadian programs were "working," this international recognition reflected the fact that unemployment had had an impact earlier in North America. The "special" design of Canada's job creation program stressed the community-based model of

104 "The Alternative: Job Creation in Canada," (Ottawa: Department of Manpower and Immigration, 1975).
107 NAC RG 118 ACC 85-86/ 071 Vol. 3 File 3000-8-1(3) Pt. 1 Job Creation General Letter to Clive Tucker from Cam Mackie Director General JCB February 14, 1975.
108 NAC RG 118 ACC 85-86/ 071 Vol. 3 File 3000-8-1(3) Pt. 1 Job Creation- General Memorandum to JD Boyd Acting Senior Assistant Deputy Minister (Manpower) from Hallam Johnston Acting Director General JCB January 12, 1975 Re: Direct Job Creation Policy Paper Where do we go from here?
LIP and OFY. While the emphasis on local participation was unique in several respects, both programs were basically residual strategies for addressing unemployment. It is hardly surprising that in this context the countries that expressed the strongest interest in replicating the programs fit the Anglo-Saxon model described by Esping-Anderson.

**New Directions: Policy-Making in a Period of Restraint**

The Liberals had hoped for some respite after the election, but there were few signs that economic conditions were going to improve in the summer and fall. Instead, the economy began to slow down by mid-year. For the most part, this reflected the impact of recessions abroad. The economic boom that characterized most of the period after 1971 reached its peak midway through 1973 in the United States. A year later the recession in the United States began to have serious effects on Canadian exports. Labour unrest also led to a record number of days lost through strikes and walkouts. The combination of these factors led to stagnant growth in the middle half of the year and to increased unemployment.  

While LIP maintained a certain international appeal throughout most of the fall and early winter of 1974-75, senior officials at JCB had serious doubts about the program's ability to address long-term, structural unemployment. The stopgap aspects of short-term job creation continued to be a problem. There were two programs in the array of JCB programs that held some promise of a ensuring a longer-term impact: the Entrepreneurial LIP (E-LIP) program and LEAP. A third option, community economic development, was the subject of considerable interest to officials in the early parts of 1975.

A new task force was set up to examine the direction of job creation programs in...

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October 1974. The first progress report of the group, dated October 10th, described the "new policy environment." The work of the committee had to take into consideration: (i) changes in the economic situation; (ii) changes in the social situation that had taken place since the introduction of OFY; (iii) the growth and development of citizen groups and their changes; and (iv) the shifting political context of a majority government. The government’s concerns with inflation and the economy formed an important backdrop to any policy discussion regarding job creation.

There were three main concerns, including the long-term design of LIP, the future of OFY and the development potential of the entrepreneurial LIP program and LEAP.

The issue of the future direction of OFY had been simmering for over a year. The report of the Interdepartmental Task Force emphasized the need to focus on the more general problem of youth unemployment. There were still no new developments in this area. In October the Deputy Minister wrote a Memorandum to the Minister supporting another round of OFY for 1975. The Memorandum outlined three options for the program that included eliminating the program, substantially altering it for the summer of 1975 and keeping the program in its current form. The Deputy Minister supported the latter option. There were grounds for either amending the program or cancelling it "given the generalized opposition to government spending." Any major changes to the program, however, would be criticized in the media. More important, backbenchers in the Liberal caucus were intent on maintaining the program. In this context it was preferable to retain the program in its current form. The

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110 NAC RG 118 ACC 85-86/ 071 Vol. 3 File 3000-8-1(3) Pt. 1 Job Creation General Memorandum to Pam Devine, Alan Gratias et.al. from Hallam Johnston Director OFY September 27, 1974 Re: Policy Review Working Group cc. Cam Mackie Director General, Provincial JCB Managers, Yves Charette, National Director LIP.


112 Ibid.
Deputy Minister rejected a proposal to put more emphasis on projects sponsored by established organizations and municipalities. The department's experience with LIP suggested that these projects provided participants with "low learning potential" and "a high substitution effect."

The future of LIP and the potential for revising the Entrepreneurial aspects of the program were outlined in an initial draft of the task force policy paper was distributed to senior officials with the department in January 1975. After 27 months JCB was considered to be "an established and accepted reality." The Branch had a national organization with a peak staff of 960 employees, including 167 permanent employees. There were 11 provincial offices. The Branch had an annual budget of $200 million. Staff were trained in a "decentralized style of direct job creation" that "served the community" and could deliver established programs quickly with defined but limited objectives. The Branch had also demonstrated the advantage of flexibility and specific targeting in dealing with the problems of seasonal and area unemployment. Staff in the department had established a "clear empathy and credibility" with local groups and communities and organizations.

The report's review of the economic situation echoed the concerns first raised in the Interdepartmental Committee's Task Force Report. The private sector and "normal" labour market incentives were not expected to be able to create enough jobs given the level of labour force participation and "expectations." The government needed to intervene "to take up the slack." On the one hand, the government had to limit increases in expenditure and at the same time take responsibility for providing employment incentives to meet the gap between supply and demand for jobs in the period leading up to 1980:

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113 Memorandum to the Minister from Alan Gotlieb Deputy Minister Department of Manpower and Immigration October 28, 1974 Subject: OFY Program.
114 NAC RG 118 ACC 85-86/ 071 Vol.3 File 3000-8-1(4) Pt. 1 Memorandum to J.D. Boyd Acting Senior Assistant Deputy Minister (Manpower) from Hallam Johnston Acting Director General JCB Re: Direct Job Creation Paper January 12, 1975. Attached is draft of paper entitled "JCB- Where do we go from here?, "
if governments wish to pursue objectives of economic stabilization, redistribution of incomes and continued economic growth, they will have to resort to methods of intervention other than the tax system and increase the effectiveness of existing programs.115

In times of austerity and general constraint, this role may have to focus on “regulating the operating of the private sector towards socially desirable ends...i.e. increasing standards of corporate conduct.”116

Job creation programs had their genesis in “an era of different externalities (i.e. political and economic environments).” If Canada was going to continue initiatives in a field where it had achieved international recognition, it was important to ensure that job creation policy was able to “adjust to the changing policy environment.” There was a need to develop an argument that “sells job creation” in terms of its economic impact and benefits:

In these times of restraint and retrenchment, direct job creation can not be justified merely in terms of its social objectives or the facilitation of community development. Social objectives have to be attached to a measurable economic impact to carry enough weight in terms of the analysis of the government’s general intervention as public policy. This requires a strategy of coordination and linkage-building bridges with the private sector and government departments and policies.117

The final section of the report outlined the policy directions that should be considered in the “new” policy environment. Over the next few years there would be “little appetite or resources” for new initiatives or social programming. There was a need to promote the three main programs at JCB-OFY, LIP and LEAP—as a “strategy” to address different aspects of unemployment. The emphasis would be on: (i) the coordination of existing policies and programs; (ii) controls of the private sector and (iii) the efficiency/ effectiveness ratios for

115Ibid.
116 Ibid., 18.
117NAC RG 118 ACC 85-86/ 071 File 3000-8-1(4) Pt. 1 JCB Memorandum to J. Boyd ADM Manpower from Hallam Johnston Acting Director General JCB, January 12, 1975 Re: Direct Job Creation Policy Paper: Where do we go from here?
existing employment programs. In this context, direct job creation policy needed to be promoted as an instrument of economic policy. The department should also consider (i) the increased targeting of existing programs and (ii) the coordination of programs with other departments.

There were two new policy thrusts recommended. First, there needed to be a stronger link between the Unemployment Insurance Commission and job creation programs. Rather than restrict the unemployment insurance program and penalize “involuntary” unemployed workers, the government should find ways to create jobs and “benefit” unemployed workers. By providing interim employment, job creation programs could help workers maintain skills. The Unemployment Insurance Commission had already experimented with alternative uses for unemployment insurance with a special pilot project in 1974 that used unemployment insurance funds to finance training projects in Newfoundland. Job creation could also be used to “save jobs” at establishments where there was the threat of temporary lay-offs.118

118Ibid., 11.
Managing the Economic Crisis

There were few new developments in job creation over the next several months. Instead the government’s attention was focused on the economic crisis and the prospects for managing the crisis. The full impact of the international recession did not hit Canada until last quarter of 1974. The first response of the government was to introduce an expansionary budget in November. By spring federal policy-makers were convinced that this strategy had exacerbated the problem. Officials in Finance were increasingly convinced that Keynesian macroeconomic tools were ‘not working’. Most observers predicted that the collapse of the voluntary wage and price controls discussions in May would force the government to introduce a mandatory program of controls." Instead Turner’s Cabinet colleagues rejected the proposal.

The decision to reject controls determined the policy tools available to the Minister. The June 25 budget was designed to maintain the status quo and therefore pleased few people. The Finance Minister did include a number of measures designed to reduce government spending by $1 billion. There was also a call for the renegotiation of financing arrangements between the federal and provincial governments for hospital insurance and a ceiling on federal contributions under the Medical Care Act. There were two sets of initiatives to create jobs. Most of these measures focused on the private sector, including: a 5% tax investment tax credit for new buildings, machinery and equipment; an additional $200 million to the $1 billion committed to the CMHC to stimulate housing construction. There was another temporary increase in the grants available for housing sponsored by the private sector.

Turner also announced plans for a $450 million direct employment program that would span the next two year period. The direct employment program would be initiated

immediately. The program was designed:

to act as a catalyst for governments, industry and private groups, enabling
them to coordinate their efforts to improve the skills of the work force and to
create useful jobs. The total programme will involve a financial commitment
of $450 million over the next two years and with disbursements this fiscal
year of $150 million. 130

This amount would cover five distinct elements in the program including occupational
training, manpower placement and mobility, a local initiatives employment program, an
employment program for students during the summer of 1976 and a federal program of
labour intensive works and activities. 131

Wage and Price Controls

The Finance Minister’s budget announcement had little impact on the controversy
brewing over the government’s handling of the economy. Two events in July suggested that
the government lacked a strategy to deal with the economic crisis. Throughout the winter
months of 1975 a small group of officials from the Privy Council Office and the Prime
Minister’s Office had interviewed Ministers to develop a list of priority issues for the
government to pursue. The priority setting exercise climaxed in July. The final document
identified five themes and sixteen priority issues. To the surprise of most political observers
(including activists with the Liberal Party), the pressing problems of inflation and
unemployment were notably absent from the list.

Shortly after the results of the priority exercise were released officials in the Prime
Minister’s Office commissioned a government poll to discern the political concerns of the
Canadian public. Richard French describes the results:

To no one’s surprise inflation and the state of the economy constituted the
issue of greatest concern... In the end, the few thousand dollars invested with

131 Ibid.
the Liberal Party’s house pollster to confirm the instincts of political insiders, was to have a far greater influence on the government’s priorities than the thousands of bureaucratic man-hours invested in the Priorities Exercise.\textsuperscript{12}

The results of the polls confirmed the worst fears of senior members of the federal bureaucracy and Cabinet. The new planning measures were no substitute for a “tough” economic strategy that could deal with the problems facing the government.\textsuperscript{13}

The resignation of Turner in September raised more speculation about the government’s ability to manage the economy. Officials at Finance brought their contingency plan document to the Cabinet’s Priorities and Planning Committee on September 8. In their view, fiscal and monetary fine-tuning were no longer effective. The document outlined two options: (i) the politicians could continue doing nothing until an inevitable explosion occurred or (ii) the government could intervene directly in the economy with a system of controls. The latter could take a number of forms including a freeze with mandatory controls; a freeze then selective controls or no freeze but selective controls.\textsuperscript{14}

Within eight days of Turner’s resignation, the government had a new Finance Minister and members of the Liberal Cabinet were in agreement with a system of direct controls. The new Minister, Donald MacDonald had resisted controls, along with the Prime Minister, in the spring. By mid-September, both men were convinced of the need for more direct intervention. Officials at the Department of Finance were instructed to design a program that did not involve a temporary freeze or comprehensive controls, but that would still be effective. The program was developed between September 26 and October 9, 1975. Much of the mandatory control program was similar to a voluntary program that was advocated by Turner and leaked to \textit{Toronto Star} and published on May 5.\textsuperscript{15}

\textsuperscript{12}French R. \textit{How Ottawa Decides}, 83-84
\textsuperscript{13}\textsuperscript{ibid.}, See also G. Doern, “Priorities and Priority Setting in the Trudeau Era: The Political Problems of Doing First Things First,” 76-77.
\textsuperscript{14}C. McCall-Newman, \textit{Grits}, 228-230.
The program was announced by the Prime Minister on Thanksgiving Night, October 13. In his televised speech the Prime Minister stressed that the populace as going to have to mend their spend-thrift ways and comply with anti-inflation measures that his government was going to impose. The country was experiencing its worst economic difficulties in forty years. Wage and price controls were the only solution available to deal with the problem:

Tomorrow the government of Canada will ask Parliament for the authority to impose severe restraint upon rising prices and incomes. This program of restraint is the heaviest imposed upon Canadians since the second world war... Tonight I am making a direct appeal for the cooperation of all Canadians in the practice of individual restraint.13

Commenting on the seriousness of the new measure, MacDonald told reporters:

The kinds of restraints we have in mind are unprecedented in peace time. We are moving into an era of government intervention in the economy. If you don’t find it as frightening as I do then let me know17

There needed to be a fundamental change in attitudes to overcome the problem of inflation and lay the foundation for economic growth.18

The Prime Minister predicted that these economic controls would be in effect of a considerable period of time. The ceiling on wage increases during the first year of the program would be 10%: 8% for inflation and 2% for productivity improvements. If the rate of inflation exceeded 8% an additional increase would be permitted. The responsibility of enforcing guidelines to the program and monitoring wage and price increases would be assigned to a new Anti-Inflation Review Board. In a public relations effort to illustrate the government’s commitment to restraint, the PM also added to the restraint measures announced in the June budget.19

MacDonald tabled the government’s policy paper entitled *Attack on Inflation* on

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129Ibid. 
October 14. The paper included plans for economic controls and other related matters. The Minister prefaced his description of the controls program with a reference to the problem of escalating labour costs. There were four elements to the government’s plans: (i) an overall price and incomes policy; (ii) a commitment to use fiscal and monetary policy to control inflation; (iii) a series of policies dealing with energy, food and housing; and (iv) a number of federal expenditure cuts aimed at limiting the growth of public spending. In his statement to the House of Commons the Finance Minister pledged to hold future increases in spending to no more than increases in the gross national product and to cut spending where possible.130

The government’s introduction of economic controls coincided with similar developments in the area of monetary policy. During 1974 and 1975 Bouey had made it known that he was sympathetic with the monetarist view position that government spending and the expanded money supply required to finance the deficits were responsible for increasing inflation. On September 2 the Governor of the Bank of Canada announced that the Bank was raising the lending rate from 8 1/4% to 9%. Defending this decision, Bouey argued that his principal concern was inflation— the rate was too high and it was threatening instability and job prospects over the long term. Within days of the release of the government’s policy paper on controls, Bouey expressed his support. He made it clear that he considered the Bank of Canada’s policies to have been responsible for letting monetary policy expand too rapidly.131

The response of the business community was cautiously approving. As predicted, organized labour was adamantly opposed to the new measures. The strongest opposition came from the UAW and CUPE. The CLC initially adopted a milder position, but within ten days the executive adopted a tougher stance in opposition. Instead of calling for a

130 Ibid., 341. Also Canada, Attack on Inflation- A Program of National Action policy statement tabled in House of Commons by Donald S. MacDonald, Minister of Finance, October 14, (1975): 7
nation-wide strike, the CLC announced plans to establish a $500,000 fund for a massive lobby against the controls program. At the federal-provincial meeting on October 22-23, the response of the provincial Ministers was generally favourable.  

The Aftermath: More Restraint

On December 18 Jean Chretien, the President of Treasury Board announced another series of cuts that were intended to symbolize the government's commitment to restraint. The list of cuts included the cancellation of 7% increase to the salaries of MPs, senators and Cabinet Ministers; a freeze on the salaries of senior civil servants; a 10% cut in the size of the PMO and restrictions on travel and administrative expenses. Most departments had their budgets cut back. Probably the most serious social restraint was the decision to suspend the indexing of family allowances for one year at a saving of $200 million. Three programs would be terminated: the CYC, OFY and Information Canada. The cancellation of CYC and OFY amounted to $40 million. The Prime Minister defended the cuts on National Television the same evening. The cuts were designed to ensure that the public understood the "government meant business."  

In a televised interview on December 28th Trudeau defended these cuts and hinted at the need for more drastic measures. The axe on federal spending had fallen "everywhere." The Prime Minister's speech offered little solace to business, however:

I will be speaking to you again in the coming months about the new kind of society we will need to create in response to the new economic circumstances in which we are living... the need for new attitudes toward economic growth and the exploitation of our natural resources... toward labour-management relations, social cooperation and the sharing of our wealth. 

\[132\] Ibid., 343.  
\[133\] Ibid., 350.  
\[134\] Canada, Treasury Board, text of remarks by Jean Chretien, President of Treasury Board, House of Commons, December 18, 1975, 4-10.  
\[135\] Cited in G. Radwanski, Trudeau 306.
The Prime Minister and his advisers were jolted by the reaction of business leaders to this speech. The hostile reaction reflected the growing antagonism of the business sector to the government, and Trudeau, in particular. Throughout the year business leaders had been defending the free enterprise system and attacking state intervention in the form of new corporation laws and the appointment of a Royal Commission on corporate concentration. The Minister’s speech was considered to be the “last straw.”136 The outrage of business to Trudeau’s year-end speech notwithstanding, it’s clear that the announcements of fiscal restraint and wage and price controls represented a sharp shift to the right in the Liberal’s political agenda.

Job Creation and The "New Fiscal Reality"

The total cuts to manpower programs in December 1975 amounted to $103.5 million. In addition to the cancellation of OFY, LIP would be reduced from $150 million to $100 million. An additional $35 million was deducted from the amount allocated for 1976-77. The developmental phase of the Community Employment Strategy would be reduced from $50 million to $25 million. Job creation programs that fell under the auspices of other departments were also affected. The public works budget for construction would be reduced by $30 million and the federal labour-intensive program would be reduced by $12.5 million.

The cancellation of OFY and CYC were described in a number of contemporary accounts as the "end of an era." According to an article by Sandra Gwyn, the decision to cancel the programs reflected the Liberal government's disenchantment with the theme of participation that had dominated programs at Secretary of State and other departments in the early seventies. She quotes Aides in the PMO who described the cuts as part of the 'political reality' of restraint. The government needed to cancel some programs and OFY and CYC were 'small enough' not to upset official Ottawa, but large enough to be politically visible.

A review of manpower policy for the C.D. Howe Institute published in 1976 supports that view. Job creation programs were the only part of Manpower's budget that could be reduced to have an "immediate" impact:

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137 This reduction was not considered to be a major loss by officials with the Community Employment Strategy Office. The developmental phase of the strategy had proceeded much slower than originally anticipated. The $25 million was more in keeping with what officials considered would actually be needed during the current fiscal year. There would be changes to the selection criteria for the Canada Manpower Training Program and the program would not be indexed for the next year.


when cuts were deemed necessary in December as part of the anti-inflation program, the programs that were cut were the newer, more innovative ones, while the older, more established programs, which account for the bulk of manpower spending were left intact. The bulk of manpower funds go into training programs which are virtually impossible to cut in the short run because the federal government is locked into long-term arrangements with the provinces. Because these programs are inflexible in the short run, the government had to make cuts in programs it did control.

Goldman’s thesis is attractive. There is little evidence that the December cuts were planned in advance. Training programs involved complicated cost-shared agreements with the provinces and other institutions. Unemployment Insurance had been tightened through a series of regulatory changes but the Department was still committed to making payments by legislation. Most LIP projects would have been approved in October but they were not scheduled to begin until November or December. Any uncommitted funds could be “saved” and projects could be curtailed with relative ease. The 1976 OFY program would not be announced until late winter. OFY had been a source of controversy from the outset. More recently it was criticized as an ineffective mechanism to deal with youth unemployment. By December 1975 the program was considered to be “expendable” in the name of restraint.

\[140\] B. Goldman, New Directions in Manpower Policy 2.
\[141\] S. Gordon, “How to hand out the money impartially,” Financial Post (September 20, 1975) 6.
Conclusion

A number of issues stand out in this discussion of the policy developments in the 1973-75 period. During the first two years of the programs, the 'politics' of OFY and LIP were shaped largely by the state's efforts to mediate tensions related to unemployment and the demands of the programs' sponsor base. The emphasis was on 'participation' and the development of new services. The context of policy-shaping changed considerably in the context of a deteriorating economy and a growing public debate over the role of manpower policy. Poulantzas' concept of a contested terrain and the need for conjunctural analysis is important in this context.

The first sign that the 'political space' for the LIP sponsors was narrowing was during the planning process for the 1973-74 program. Almost all of the changes to the program were designed to limit the political activities of the sponsor base. The future of OFY and LIP had been hotly debated since the election in October 1972. Most of the provisions to limit the actions of the sponsor base were developed in the context of the controversies that emerged over the winter months in 1972 and 1973. Political pressure from the provinces was an important factor in this decision.

These changes proved to be part of a much larger debate over the role and nature of job creation policy as a component of broader labour market policy. The consensus between labour and business that had characterized manpower policy in the mid-sixties dissolved swiftly in the context of rising unemployment and slow economic growth. In the context of a deteriorating economy and a shift to the right in the Liberal Cabinet, policy-makers were increasingly convinced of the need to reinforce the market incentives in manpower policy. By the last quarter of 1973 the Minister was already making it clear that the programs would have to take into consideration the concerns of employers. The growing prominence of monetarism gave further justification to the view that
unemployment was ‘caused’ by the market behaviour of young people and women and the impact of government policy.

These changes reflected a much broader shift in how broad class forces were being mediated within the department. The message of monetarism was clear: unemployment was expected to rise, but the government had less responsibility to deal with the problem. As the Liberals geared up for the election, the Minister and his Cabinet colleagues were anxious to court favour with business. The first twelve months of the minority period had involved a delicate balancing act in terms of trying to appease the NDP and address the image of the Liberals as “big spenders” in the business community. By November members of the Liberal Cabinet were interested in moving the direction of government policy to the right to regain the confidence of their traditional support in the business community.

The result was an important shift in the direction of manpower policy. The Minister made this clear in his directions to Cabinet and the Miscellaneous Committee in November. The increased concern with market incentives and the work ethic served to further entrench the liberal framework governing policy in the department. The result was a sharp reduction in the total amount of funds allocated to job creation and major changes to unemployment insurance and the mandate of placement and counselling services.

The policy discussions in 1974 and 1975 served to further this rightward trend. In the wake of wage and price controls it is not surprising that the Minister was willing to cut funds to LIP or cancel OFY. While there had been major changes in the design of both programs, the public image of the program was still identified with the service sector. The decision to cancel OFY in December 1975 was a symbolic move to ‘prove’ the government was serious about its restraint program. Within months, however, both
programs would re-emerge in the context of plans to change unemployment insurance.
Chapter Seven

Employment Strategy 1976-79

Introduction

This chapter traces developments in job creation policy from 1976 to 1979. The announcement of the budget cuts in December 1975 did not mark an end of job creation as a component of labour market policy. Within months work began on 'new' and comprehensive programs. These new policy developments were made possible, in part, because new dollars were available through the government's access to the unemployment insurance program. A new five year Employment Strategy was announced in October 1976. The introduction of Canada Works (CW) and Young Canada Works (YCW) marked the dawn of a 'new era.' OFY and LIP had their roots in the participation initiatives of the sixties. The design of the new programs was shaped by the politics of restraint.

Developments in job creation in this period provide some interesting insights into the relationship between bureaucratic initiatives and the representation of class and other social forces in this period. The factors that set the stage for a new round of job creation were political and economic. In the context of a new round of expenditure restraint, officials at job creation were prepared to put into action the proposals that were first generated in the first quarter of 1975. Job creation programs would be re-introduced as a 'strategy' to target unemployment in particular sectors. The programs could be funded through savings in unemployment insurance. While the programs initially appeared to be 'more of the same' the changes over the next two year period reflected the shift in class forces that had characterized the policy making process since 1973. The shift to infrastructure projects, however, represented a major shift away from employment in the broader public sector to jobs on construction and building projects. This had a major impact on the participation of women in the programs.
Job Creation and Unemployment Insurance: 1976

There were few signs that role of job creation programs would be diminished in the immediate wake of controls or the Minister’s restraint measures. Instead work began on a policy paper to discuss the ‘future’ of job creation programs in early 1976. The department needed to find means of funding employment programs in restraint environment. Two sets of concerns were on the table: (i) the need to develop a new approach to job creation and (ii) plans for the reform of unemployment insurance. Plans to redirect unemployment insurance funds provided an opportunity to finance job creation programs and further tighten the legislation.¹

Revisions to the unemployment insurance program had been the source of considerable controversy since the legislation was first amended in 1972. In the period since 1974 the government had introduced a number of changes to tighten the administration of the program and reduce the costs to the government. The reorientation of unemployment insurance had already been given legislative content with the introduction of Bill C-69 in October 1975. The amendments came into effect on January 1, 1976. The changes were designed to further tighten the program and “save money.”²

The prospect of developing a closer link between job creation and unemployment insurance was outlined in the Minister’s speech to the Social Affairs Committee of the OECD in March. These plans reflected an attempt to save money and better serve “the needs

¹ NAC RG 118 ACC 89-90/039 Box 138 File 3920-8-1 Pt. 1 (a) Memorandum to J. Manion from G. Conger May 21, 1976 Re: Job Creation Policy; See also NAC RG 118 ACC 85-86/071 Vol.3 File 3000-8-1 (4) Pt. 1 Memorandum to J.D. Boyd Acting Senior Assistant DM (Manpower) from Hallam Johnston Acting Director General JCB Re: Direct Job Creation Paper January 12, 1975. “JCB-Where do we go from here?,” The possibility of developing closer links between unemployment insurance and job creation can be traced even earlier to the early restraint period in 1975. This paper argued that in a period of restraint JCB would have to develop a rationale for its programs that “sold” job creation. Closer linkages with unemployment insurance would be an attractive option for federal politicians and officials at the Department of Finance.
² L. Pal, Class, State and Bureaucracy (Montreal-Kingston: McGill-Queen’s University Press, 1988) 116-117. Unemployment insurance for persons over the age of 65 years was discontinued and persons leaving employment “without good cause” or who lost their jobs for reasons of misconduct would have an additional waiting period of three to six weeks. There were also adjustments to the allocation of costs between employers, employees and the federal government.
of the unemployed." The same month the Economic Council of Canada released its study of the labour market entitled, *People and Jobs*. The review reiterated the view that there was a 'new unemployment' and 'new labour force.' The main source of unemployment reflected the labour market behaviour of young people and women. While the report was highly critical of the unemployment insurance program and federal job creation programs, it stressed the importance of tightening up the administration of both programs and using unemployment insurance funds to sponsor short-term work projects. This would allow the government to 'save money' and ensure that unemployment insurance recipients were involved in 'useful work.' In April members of the Liberal Cabinet authorized the Minister of Finance to:

announce in the context of the May 1976 budget the government's decision to expand job creation programs and other employment policies and to propose legislation authorizing the utilization of UI funds for these purposes.'

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3 R. Andras, *Statement of Canada to the Meeting of the Manpower Social Affairs Committee at the Ministerial Level* (Paris: OECD, March 4-5, 1976). Tabled by the Honourable Robert Andras, Minister of Manpower and Immigration (Ottawa: Research Projects Group, Department of Manpower and Immigration) 31.


5 NAC RG 118 ACC 89-90/ 039 Box 138 File 3920-8-1 Pt.1 (a) Cited in letter to G. Olberston Secretary Treasury Board Secretariat from Alan Goitlieb DM Manpower and Immigration, July 21, 1976.
May Budget

There were two main economic factors behind MacDonald's strategy in the spring budget. First, the Minister predicted that international recovery was expected to bring the country out of the 1975 recession. This was based on the general economic recovery in the United States and other developed countries. Second, the budget tended to de-emphasize expansionary measures and focus instead on attempts at restraint and continued control over inflation. The budget speech contained three major proposals for manpower policy: (i) the amalgamation of Unemployment Insurance Commission and the Department of Manpower and Immigration; (ii) a number of changes to unemployment insurance, including the introduction of the developmental uses of UI funds; and (iii) a new employment strategy that included a series of short-term job creation programs. The plan for amalgamation stemmed for concerns related to increasing work incentive in unemployment insurance. The Minister described the measure as an attempt to develop a 'one-stop' centre for manpower services.

The key feature in the budget was the overhaul of unemployment insurance. The main changes included an increase in the number of weeks to attain eligibility for UI benefits from 8 to 12 weeks; a reduction in the maximum number of weeks that individuals could draw benefits (from 51 to 50) and a new provision that savings or severance pay would no longer affect eligibility. The changes were designed to save the government money. The amendments announced in the June 1975 budget were saving the government $500 million a year. The most recent changes were aimed at saving another $300 million.

The May announcement included plans to experiment with the developmental use of Unemployment Insurance. Three types of programs would be funded through the program, including work-sharing, training and job creation. The training component of the program was relatively uncontroversial. The government had already experimented with a pilot project

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7 See L. Pal, *State, Class and Bureaucracy*, 131. The changes announced in the 1975 budget were essentially financing provisions dealing with the benefit rate, a revised threshold for government contributions and increased premiums.
9 S. Gordon, "Manpower hopes Newfoundland pilot project may be model to keep UIC claimants off the rolls for good," *Financial Post* (May 3, 1975) 1-3.
in Newfoundland in 1974. The fact that the unemployment insurance fund was in a surplus situation allowed the government to ‘experiment’ with the other two proposals without relying on funds secured through general tax revenue. The Minister described the rationale for the developmental uses of the program in terms of putting UI recipients “to work.” Workers who were likely to be unemployed and on unemployment insurance for some months would be allowed to participate in activities “of social value” for the “betterment of their communities”:

our plan would be to have participants continue to receive unemployment insurance benefits and we would provide other moneys, for example, for the cost of work allowances and project overhead costs from additional money...

another possible use for unemployment insurance funds is the introduction of a shorter work-week.10

Money for Job Creation
On June 25 the Minister of Manpower and Immigration, Robert Andras, announced that a total of $250 million would be allocated to job creation and training in the fall. This money was expected to have little impact on the overall jobless rate:

It takes about $200 million to shave less than one quarter of a percentage point from the unemployment rate for the full year by putting the unemployed into training or job creation projects.11

The department had “scoured the world” and concluded that the best approach to job creation was one which would: expand the stock of regular jobs as much as possible without generating a new round of inflation; maximize the “utilization of existing jobs” by improving manpower services, mobility and training and by a tighter control on immigration; and create as many jobs as the government could afford at the lowest possible overhead and with the least possible disruption of the regular labour market.12

The changes to job creation programs were planned to coincide with the amendments to the Unemployment Insurance Act announced by the Finance Minister. The proposed

11 Ibid., 378.
12 Ibid.
revisions in unemployment insurance, particularly the increase in the qualification period, was expected to save the government between $200 million and $300 million annually. This money could then be allocated to job creation and training to further reduce the need for unemployment insurance payouts:

With these funds and the potential flexibility offered by the other amendments to the Unemployment Insurance Act I expect to be able to recommend to my colleagues an employment strategy for the years ahead. The amendments to unemployment insurance would not be introduced until the fall. This meant that new job creation programs were not expected to be implemented before the beginning of 1977.

Plans for a New Employment Strategy

Senior officials at JCB began work on the plans for the new employment strategy in late May. The broad parameters of a policy paper was outlined in a series of memoranda between Jack Manion, the Senior Assistant Deputy Minister (Manpower) and Gerry Conger, the Acting Director General of JCB in late May and June. High levels of unemployment would extend through 1981. In the “medium term” job creation was expected to be an “intervention mechanism to fill the gap.” The policy proposal was expected to downgrade the Economic Council’s recommendations in favour of the objectives set out in the earlier 1974 Interdepartmental Task Force Report on Direct Job Creation. The limitations and deficiencies of the current programs were already outlined in the 1974 report. The current programs were “too uncertain.” The ad hoc approach limited the lead time available and created implementation difficulties. There were also strong complaints from the provinces. Because the programs were the “only thing available” they tended to be used for a multitude of purposes.

On July 21st Gotlieb wrote to the Secretary of the Treasury Board Secretariat with a draft funding proposal. Unemployment was expected to be a problem over the next five years:

we all agree about the nature of the general outlook for unemployment over the next five years or so...we cannot expect any real improvement next year in the unemployment rate itself and improvement thereafter is not expected to be rapid

The government was forecasting an unemployment rate of 5 1/2% by 1981. It was difficult to assess the level of unemployment that was consistent with “full employment.” The report of the Causal Factors Analysis Group in 1974 estimated that it was “in the neighbourhood” of 4.5%. Even if a comprehensive employment program was targeted simply at the

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14 NAC RG 118 ACC 89-90 Box 138 File 3920-8-1 Pt. 1(a) Memorandum to Jack Manion Deputy Minister, Manpower and Immigration from G. Conger Re: Direct JC Planning, May 21, 1976.
15 NAC RG 118 ACC 89-90 Box 138 File 3920-8-1 Pt. 1(a) Memorandum to file from G. Conger Director General Manpower Employment Development Group May 31, 1976 Re: Comprehensive Job Creation Program.
"cyclical" component of unemployment, there would be a considerable need for action even by 1981."

An Appendix to Gotlieb’s letter took the proposal further. Analysis of the nature of current unemployment and employment growth projections indicated that the government was dealing with a long-term phenomenon. There was a need for a more permanent job creation program that would last at least until 1981-82. Existing job creation programs needed to form a strategy that was capable of handling regional, seasonal and cyclical unemployment within the current climate of fiscal restraint.

The new job creation strategy would have two main components. The main direct employment program would address cyclical, seasonal unemployment and the capacity for what the paper described as “spot welding.” The latter term referred to the need to respond “sudden dislocations” in the labour market, such as those resulting from a natural disaster or the unexpected shut-down of a major employer in a small community. The contingency capacity of the program would provide interim employment until stability was re-established or more appropriate long-term responses were brought into play. The second component would include an expanded LEAP program with an increased capacity to create permanent jobs in disadvantaged areas where alternative job opportunities were not available.

The design of the program reflected a number of principles. Job creation was a residual measure to “fill gaps” and “sop-up surplus labour” for regions and the unemployed who “most needed it.” The program should create as many jobs as could be afforded at the lowest overhead cost and not be disruptive of the regular labour market in the private sector. Open-ended dependency involving individuals on jobs or communities and activities should be avoided. The program should be both flexible and capable of targeting. Jobs should use

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17 Ibid.
18 NAC RG 118 ACC 89-90/ 039 Box 138 File 3920-84 Pt. 1 Letter to G. Olbaston Secretary Treasury Board Secretariat from A. Gotlieb Deputy Minister Manpower and Immigration, July 21, 1976.
19 Ibid. Appendix See also Special Senate Committee on National Finance Report on Manpower 104. There was a precedent for this type of program the previous summer. In July 1975 the federal government had provided $500,000 in assistance to the community of Springhill, Nova Scotia following a disastrous fire. The money was organized an controlled through a special phase of LIP. Approved projects were designed for immediate implementation to aid the community and provide employment for local people.
the skills and capacities of the unemployed in "socially productive activities of perceived community benefit" that would not otherwise occur. The program should be primarily directed toward those with major labour force attachment, who were "genuinely unemployed" and seeking work. The program should facilitate the return of these individuals into regular labour force participation as soon as possible.

The design features of the program bore a marked similarity to the existing programs at JCB. The main direct employment component of the program would finance project activities that were other than the on-going activities of the sponsoring body. Projects would have to be sponsored by "established and recognized" agencies. There would be a fixed percentage of funds that could be used for this purpose in each area. The intent was to guard against projects becoming a possible liability for any other level of government in the event that adjustments were made to the area allocation. With the exception of the contingency element, all allocations would be on a constituency basis. Constituency advisory boards would be retained. The provinces would be allowed considerable lead time to review project proposals to help "minimize conflicts with provincial priorities." There would be up to three different allocation cut off dates in the year at approximately four month intervals, one of which would apply to both the cyclical and seasonal elements of the program. This was designed to allow for "considerable flexibility" in addressing local unemployment conditions. To ensure "sound management" and a "close relationship with community needs," sponsorship would be limited to organizations that were: (i) legally incorporated with by-laws and officers; (ii) in existence for more than six months; and (iii) democratically constituted. Individual sponsorship would not be encouraged.

Participation would be generally confined to unemployed persons who were registered at the Canada Manpower Centres who were actively but unsuccessfully conducting job

20 In their discussions in May, both Manion and Conger were adamant that new projects would be sponsored by incorporated groups. Over the next month and a half, this position was moderated somewhat by discussions with officials at JCB. The Minister was still adamant that he would prefer groups such as the Kiwanis and Rotary Clubs to sponsor projects. By July the Cabinet document stated that incorporated groups would be preferred. See for example NAC RG 118 ACC 89-90/ 039 Box 139-8-2-1 JCB Pt. 1 ES Memorandum to J. Manion from D. Campbell, June 29, 1976, Re: DEP Formation of Limited Companies and Registered Charitable Societies.
searches and persons on social assistance. This provision was designed to minimize the “inducement effect” of attracting new labour force entrants. The jobs were to be viewed as temporary. Persons registered at the CMCs would be expected to continue their job search activity. Measures would be introduced to control “repeaters” and discourage the development of “participant dependency.” There would also be a move away from the present LIP system of determining the allowable federal contribution to wages on the basis of a nationally calculated average wage, universally applied to all projects. Wages would be determined according to the provincial minimum wage structures. This would allow projects to be more sensitive to regional differences and prevailing wage rates. The average wage on a project would be set at 10% to 15% above the provincial minimum.

The second component, LEAP, would continue to target the “severely disadvantaged” with marginal attachment to the labour force. The experimentation with different project models was expected to continue, particularly in areas designated by the Community Employment Strategy. LEAP’s capability to create permanent jobs in disadvantaged areas through small scale, locally owned community enterprises would be expanded as an integral part of an overall comprehensive job creation strategy. LEAP was expected to become the “primary tool” of permanent job creation in areas where temporary unemployment would be inappropriate.

A third component of the program involved the integration of unemployment insurance claimants more directly into job creation programs. The intent was to use revenues from the unemployment insurance fund: “more imaginatively and effectively in the management of human resources.”

There were four objectives: (i) to explore the possibility of the developmental application of unemployment insurance funds in the funding of job creation programs; (ii) to provide employment opportunities to unemployment insurance claimants in “socially productive” activities that would not otherwise occur; (iii) to make continued use of the skills and capacities of those who would otherwise have no work alternatives to unemployment

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21 Ibid.
insurance benefits and (iv) to facilitate the return as soon as possible of UI recipients on projects to stable and regular employment.

The proposal included a two tier support structure with: (i) a direct job creation advisory council (this would be viewed as a special function of the Manpower and Immigration/UIC Council) and (ii) an interdepartmental committee of senior officials. Membership on the proposed Direct Job Creation Advisory Council would include representatives from organized labour and business. Consideration would also be given to trying to obtain on-going support of labour organizations for the programs. This could be based on the understanding that the program existed to create new jobs.22

Cabinet approved these initiatives in principle on July 30. The Memorandum outlined three main directions: (i) the development of a direct employment program consisting of a permanent year round component, highly regionalized and fluctuating with the general level of unemployment; (ii) a summer student program and a “spot welding” component; (iii) the concept of a five year strategy but with the commitment of funding of $358 million only for the fiscal year 1977-78. Cabinet also approved the establishment of an Interdepartmental Committee on Employment Development that would undertake an annual review of the strategy and its interrelationship with other government programs and policies.23

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22 Ibid., 7.
Employment Strategy 1977-78

The Speech from the Throne in October confirmed the government’s intention to merge the UIC and Manpower and Immigration; amend the *Unemployment Insurance Act* and introduce a new year round job creation strategy. During the debate that followed, Cullen announced the details of the government’s plan to introduce a new five year employment strategy. The new employment strategy involved three main thrusts: (i) comprehensive job creation programs based on community priorities; (ii) youth employment and employability measures to ease the transition from school to work for young people; and (iii) a group of selective, preventive measures to reduce the loss of work and hasten the return to employment. 24

The strategy was designed to allow for a different program mix from year to year. The essence of the strategy was:

- to get public work done and public benefits produced by people whose energies and talents are temporarily surplus to private sector needs. 25
- Most Canadians wanted a permanent private sector job. Work was preferable to income assistance:
  - We are convinced that the income that goes with the dignity of work is preferable to the income that arrives in the form of a UI cheque. 26

In his speech to the House of Commons, Cullen stressed that the design of new strategy linked to cost-savings under unemployment insurance. In 1977-78 the government planned to invest $350 million beyond the regular expenditures for manpower programs. Over the five year period most of the incremental funding for the employment strategy would come from changes in the Unemployment Insurance legislation. These savings were estimated to be approximately $110 million in the first year of the employment strategy. Future savings would be even greater. The reduced government contributions to the unemployment insurance account would offset the extra costs of the employment strategy because the UI savings would rise as unemployment declined. The savings were conditional

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25 Ibid.
26 Ibid.
on changes to legislation expected to be introduced in November."

The largest element in the $350 million package would be allocated to Canada Works, a year round program modelled after LIP. There were three changes: (i) the program would extend over a twelve month period; (ii) there would be two solicitation periods and (iii) wages would reflect regional prevailing wage rates. The first phase of Canada Works was expected to be implemented in April 1977. The second phase would begin the following September. The program would target high unemployment areas. Projects would be reviewed and recommended by Ministerial Advisory Boards (previously called constituency advisory groups) in constituencies.

In his speech Cullen stressed the residual nature of the job creation component of the Employment Strategy. The role of Canada Works and Young Canada Works would be adjusted year to year to provide employment "only when the private sector cannot." There would be controls to ensure that people would not be drawn into the labour market "simply to participate in the program." The emphasis was on "real work" on projects of substantial "community value." Only established organizations would be invited to apply, "to ensure the real needs are met and the project is competently managed.""

A small portion of the $200 million for Canada Works would be set aside for temporary local employment emergencies, natural disasters or the failure of the main economic support of the community. While there was no special allocation for this purpose, private sector organizations would be encouraged to participate in the program. The other allocations announced in the Employment Strategy included: $30 million for YCW; $10 million for Summer Job Corps; $25 million for the regular summer student employment and activities program including the cadet corps, student manpower centres, and other activities.

The main emphasis of the youth programs was on helping young people gain work experience while meeting financial demands. YCW projects would be designed to provide work of community benefit rather than "doing your own thing." The government would also

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27 Ibid. Also Statement Released by Minister of Manpower and Immigration, Bud Cullen, Delivered October 21, 1976. Ottawa: Manpower and Immigration, 1976.
28 Ibid.
be sponsoring programs aimed at enhancing the employability of youth in the private sector and addressing the gap between school and work. The Job Experience Training program (JET) would provide young people with an opportunity to gain work experience and training with summer and winter components.°

**November - Additional Funds**

The Minister's announcement had little impact on the pressures building over rising unemployment. On November 15th the Finance Minister announced that the federal government would be allocating additional job creation funds for the 1976-77 fiscal year.° The announcement coincided with extensive media coverage of General Motor's plans to lay-off 3000 workers in the transport industry. These layoffs were expected to push unemployment in Quebec and Nova Scotia to over 11%. Workers in Southern Ontario would also be affected by the announcement. In the House of Commons, both opposition leaders badgered the Liberals with accusations that they were not doing anything about unemployment.° In his state of the economy address to the House of Commons the Finance Minister admitted the economy was on target for reducing inflation but falling behind on the jobless rates.°

National unemployment was over 7% in October and was expected to increase to over 8% by the end of the year. The Minister was particularly concerned about the high rates of unemployment in Quebec and the Atlantic provinces and among youth. The government still

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29 NAC RG 118 ACC 89-90/ 039 Box 139 File 3920-8-2-1 Pt. 1 JCB ES/CW General Memorandum to A. Gotlieb DM from G. Conger Acting ADM Manpower Re: DEP and Summer Job Corps August 1, 1976.
intended to stay within its announced spending plans of $42.15 billion in the financial year ending March 31. The plan was to redirect spending to try and fight higher levels of unemployment. In addition to direct job creation funds, the Finance Minister announced plans to lower the premium rates for unemployment insurance by 9%, effective January 1, 1977. This measure was expected to have both an economic and employment-generating effect."

On November 25 Cullen announced the government’s plans to allocate an additional $150 million to job creation programs. The new dollars included $100 million for LIP and $50 million to FLIP in 1976-77. This would double the allocation for LIP for 1976-77. The money would go to regions where unemployment was over 7%, mainly Quebec and the Maritimes. The new aid was expected to raise Quebec’s share of LIP funds from $28.9 million to $67.5 million. There would be no new solicitation involved. In his media release, the Minister stressed that these new measures were consistent with the government expenditure ceilings. The Unemployment Insurance deficit had been eliminated through a combination of improved administration and the harmonization of the activities of Canada Manpower Centres and the UIC had resulted in savings in UI costs."

33 Ibid.
Employment Strategy: More of the Same?

Despite the considerable fanfare attached to the ‘new’ and ‘comprehensive’ Employment Strategy, the package of programs bore a marked similarity to the government’s previous OFY and LIP programs. This point was not lost on media commentators. In his syndicated article on November 2, Len Shifrin argued that except for the labels, there was “precious little” that was new in the manpower strategy announced by the Minister. The $200 million allocated to Canada Works was still less than LIP received in its second year of operation in 1972-73. The language had changed from “doing your own thing” under OFY to “doing something of solid community value” under YCW. But OFY had never really been about “doing your own thing” and the program had been tightened up considerably in recent years (the program was cancelled in the summer of 1976). The summer student employment program would still assume a low profile with $25 million. The only new package was the $10 million dollar Job Corps program. LEAP was increased by only $6 million over the funds already allocated to the program for 1976-77.

This view was reinforced in a detailed analysis of the funding levels for the Employment Strategy in an article by John Gray on November 8th. The funding for Canada Works was more or less the same amount of money that had been available for LIP before it was cutback in December 1975. “Times were tough for the Liberals” and the government had been forced to “reinvent the wheel.” At $200 million this year’s LIP budget was twice the allocation of the previous year, but less than the allocation for 1972-73.” The $40 million for YCW and other youth programs amounted to the same amount that was allocated to CYC and OFY the previous year.” After taking into account of the $240 million for Canada Works and the two youth programs, the Minister claimed that there was still $110 million that was beyond the regular expenditures on manpower programs. $34 million of this fund was for LIP and $25 million was for the student program. According to Gray, a “niggling perusal of the figures with a manpower official” revealed that only $43.4 million

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37 LIP had been reduced from $150 million to $100 million as the result of the budget cuts in December 1975.
38 This amount was cut in December 1975 as well.
represented additional funding to existing programs. This meant that the government was effectively combining:

the promise of fearless restraint with pioneering job creation in the same trick."

In fact, there were strong lines of continuity between the review documents prepared in the early part of 1975 and the Minister's announcement in the fall of 1976. This is hardly surprising given that the bureaucrats relied heavily on reports of the Interdepartmental Task Force Report and the job creation review from January 1975. Most of the changes related to tightening the eligibility and administration of the programs had already been made in LIP. The emphasis on labour inducements and work incentives, in particular, reflected the market considerations that had been introduced in the programs since 1973-74.

At the same time, there is little doubt that the new program was intended to represent an ideological shift. The language associated with the Minister’s announcement was much more explicit in terms of: (i) the need for targeting unemployment insurance and social assistance recipients; (ii) concern about the work incentives and (iii) shift in activities to what the Minister described as “real work.” The emphasis placed on established service organizations such as the Kiwanis and Rotary clubs marked a major reversal of the program’s earlier support for “new and emerging groups.” While to many observers this shift was more rhetorical than ‘real,’ it represented an important shift in terms of what was considered to be ‘real work.’ The legacy of LIP had been a major expansion of the ‘para-public’ and social service sector in large urban centres. Under Canada Works the emphasis would return to more traditional measures to encourage ‘real work’ on infrastructure projects.

Winter 1977: More Friction in the House of Commons

There were few signs that the political pressures on the Liberal government were about to ease when House of Commons opened in January. A series of scandals involving allegations against the RCMP and mild skirmishes with business groups dominated the legislature. Opposition attacks mounted over the government's handling of unemployment throughout most of first quarter of 1977. The Liberals remained committed to wage and price controls and their battle against inflation. The Prime Minister accused the opposition parties of being "too simplistic" in their assessment of the economy:

What we have to recognize is that pumping up demand may threaten inflation without resolving the problems of unacceptable regional unemployment, the barriers to mobility, recurring redundancy, institutional obstacles in changing jobs or gaining access to particular occupations, lack of skills, experience or motivation, the handicaps of young people and older women returning to the labour force."

Increased government spending and tax reductions were "too blunt" an instrument to solve these problems. In the House of Commons the opposition badgered the government daily demanding further measures to curb inflation and reduce unemployment."

In mid-February the Minister of Manpower and Immigration, Bud Cullen wrote to Robert Andras, the new President of Treasury Board requesting additional funds for Phase I of the Canada Works program. Program officials were currently sifting through applications for projects that were scheduled to begin on April 1. The total allocated to this phase of the program was $60 million. In his letter to Andras, Cullen predicted that there would be a "shelf" of projects worth $100 to $150 million that could be funded if additional funds were allocated to the program."

According to Cullen, there were strong political reasons for increasing the funds for Canada Works at this time. Public opinion polls revealed a strong shift in public concern

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41 Ibid., 5.
from inflation to unemployment and the government was under increasing attack in the
House of Commons for "not doing enough." On February 10 the opposition leader, Ed
Broadbent, tabled figures in Parliament which revealed that expenditures on job creation had
dropped from a high of $602 million in 1971-72 to the present level of $243 million. It was
unclear what programs had been included in Broadbent's list. According to senior officials
at Manpower and Immigration, however, the reference to a "significant decline in
allocations" was "essentially accurate.""\(^3\)

The reply from Andras was favourable. The federal budget on March 31 included an
announcement of an additional $100 million that would be allocated to Phase One of the
Canada Works program. In his speech to the House of Commons, the Finance Minister,
Donald MacDonald, highlighted the three major problems facing the economy: inflation,
unemployment and a general lack of confidence which seemed to affect consumers and
investors. The government was still committed to battling inflation and the deficit:

In considering the type of fiscal stimulus to be provided, my starting point has
been the commitment to expenditure restraint. Within this restraint we have
been able to allocate further resources to the creation of new jobs. Beyond
that, we have turned to the reduction of taxes\(^\text{\textsuperscript{4}}\)

Wage and price controls were extended to October 14. The additional funds for Canada
Works were intended to expand the Employment Strategy as part of the government's more
general approach to the management and recovery of the economy. This would bring the
total from $358 million to $458 million.\(^\text{\textsuperscript{4}}\)

The Finance Minister still hoped the private sector would increase spending and
create jobs. There was growing skepticism about whether or not macroeconomic policy could
lower the rate of unemployment:

I would be delighted as any Finance Minister would be to try and get the
unemployment rate down... But I don't think we have the tools of a

\(^3\) Ibid.


ICED June 1977 3. This report gives a good outline of the policy background to the Employment Strategy
1976-77.
significant magnitude to be able to reduce unemployment drastically."

The government’s main concern was to reduce the deficit and battle inflation in this budget. MacDonald agreed with reporters that his budget was on balance not an employment creation measure. The additional $100 million for job creation would not make a significant dent in the overall unemployment rate."

Progress on Phase I of Canada Works

Early reports of the administration of the Canada Works program indicated that the implementation of Phase I was proceeding as planned. By March the department had received 8276 applications worth approximately $435,285,904. There was a major shift in the program’s sponsor base and activities. The proportion of applications sponsored by individuals was reduced by 50% to 60% (in comparison to 1976-77 LIP). Within the broad category of established organizations there was a trend towards a proportionate increase in applications from leisure, recreation, youth-oriented and citizen groups. The main shift in the program was from social service activities to projects involving building construction. While the promotion of the 1976-77 Employment Strategy and Canada Works stressed the potential contribution of private sector sponsors, the results were not expected in the short-term. Officials with the program expected to develop a stronger private sector emphasis in the next two rounds of the program."

The shift away from LIP-style projects was considered to be a positive aspect of the new program. In a letter to the Deputy Minister of Finance, Thomas Shoyama, on March 14, the Deputy Minister of Manpower and Immigration, Alan Gotlieb stressed the fact that there had been a “substantial drop” in the number of applications from individuals and newly found groups. The result was a shift from social services to construction projects. Past experience with LIP revealed that projects sponsored by established organizations were more likely to involve building and improving facilities. The “encouraging” aspects of the

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46 Ibid., 11.
48 NAC RG 118 ACC 89-90/ 039 Box 139 File 3920-8-2-1 Pt. 2 JCB ES/CW October 1976 to May 15, 1977 memorandum to D. Campbell ADM Manpower from Hallam Johnston Director Canada Works March 9, 1977 Re: Canada Works Statement; See also Memorandum to the Assistant Deputy Minister (Manpower) File From D. Campbell ADM Manpower Re: Private Sector Sponsorship September 2, 1976.
program, however, were not immediately apparent because the impact of the private sector emphasis was not expected until Phase II of the program.

Program officials at JCB were more cautious about the potential impact of these changes. On April 14 the Acting Director of LIP (responsible for overseeing the last round of the program in 1976-77) expressed concerns about the direction of the new Canada Works program and the need to preserve the "job creation philosophy." One of the reasons for LIP's success had been its "non-bureaucratic" approach to program delivery. The program was:

unique in the world because the citizen found that he could deal directly with his government with ease... without going through a paper war or red-tape jungle

It was important to preserve the Branch's approach to delivering job creation programs. Instead the department appeared to be going through a phase of "uncomfortable second thoughts":

about the large sums of money which are being put at the disposal of ordinary citizens for a specific purpose without all the attendant and usual government controls to which departments and agencies are accustomed... The result is a splurge of studies which all tend to be control-oriented and which also all tend to put the basic philosophy in the background... if not depart from it entirely

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49 NAC RG 118 ACC 89-90/ 039 File 3920-8-2-1 Pt. 2 Memorandum to D. Campbell ADM Manpower from J. Manion Senior ADM Re: Profile of Canada Works March 11, 1977; Letter to T. Shoyama Deputy Minister Finance from Alan Gotlieb Deputy Minister Employment and Immigration March.

Short-term Task Force Report - Interdepartmental Committee on Employment Development

While program staff were involved with the implementation of Phase One of Canada Works, members of the Interdepartmental Committee on Employment Development were drafting recommendations for the next phase of the program. The responsibility for broad policy development of the Employment Strategy was assigned to the Interdepartmental Committee on Employment Development in July 1976. The committee consisted of Deputy Ministers from a number of senior departments including Manpower and Immigration, Finance, Treasury Board, Fisheries and the Environment, National Health and Welfare and Public Works. The first task of the committee was to commission a short-term study task force to assess the adequacy of the employment strategy program mix for 1977-78 and the contingency options available for possible implementation as early as the summer of 1977. 

The first report of the ICED was submitted to Cabinet on March 11. The paper outlined a number of “contingency options” for “employment-generating” projects in 1977-78. The report predicted that the employment situation was expected to worsen over the next two fiscal years. Taking into account the impact of the Employment Strategy measures announced in the fall of 1976 and the employment creation measures proposed by the United States administration, the Canadian unemployment rate was expected to rise from 7.2% in 1976 to a range of 7.5% to 7.75% over the next two years. This meant that the Canadian unemployment rate was likely to exceed the American rate for the first time in several years.

The main problem facing policy-makers was the anticipated increase in unemployment among prime-aged males. Young people and adult women represented the largest component of the unemployed and the main increases in the forecasted rates of unemployment were expected to affect these two groups. “On a policy change basis” the government needed to take into consideration the expected increase in the rate of unemployment affecting prime

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52 NAC RG 118 ACC 89-90/039 File 3920-8-2 23 Pt. 2 Employment Generating Options for 1977-78.
aged males between the ages of 25 and 44 years. The rate of unemployment affecting this group was expected to increase “beyond present unacceptable levels.” The report attributed the increase in unemployment among adult men as part of the reason for the increased public reaction to the problem. The public’s reaction may have also stemmed from the fact that inflation was declining while unemployment was increasing generally. Unemployment problems loomed large in parliamentary debates, in the press and in the public mind. Inflation continued to be a concern, but the public viewed unemployment “increasingly as a problem of possibly equivalent proportions.”

Using econometric models the committee considered the relative employment impact of three years of sustained injections of $500 million of net fiscal stimulation using three policy instruments: personal income tax cuts; an increase in government expenditures and an increase in selected job creation expenditures such as Canada Works or Young Canada Works. Programs such as Canada Works were considered to be 3 and 12 times more effective than an equivalent reduction in personal income taxes and between 2 and 4 times more effective than a comparable increase in general federal expenditures. While these results were subject to a “substantial margin of uncertainty,” programs such as Canada Works were likely to have a much stronger and faster impact than an equivalent increase in federal expenditures on goods and services.

There were other political considerations at stake. The experience with the Employment Strategy suggested that the public impact of one or a few large programs was greater than if the same of amount of money was distributed among smaller programs, “however meritorious.” Additional funds for the first two phases of Canada Works could be launched immediately. The public response for the first round of Canada Works generated applications of $540 million against the first round’s funding of $86 million. An additional $140 million could be used for projects funded under Phase One that which were expected to start in April and May. If Cabinet agreed to increase both phases of the program, “the maximum public impact” would be obtained if the total commitment of the programs was

53 Ibid., 2.
increased from the current $230 million to $500 million.

The request for an additional $270 million for the Employment Strategy was rejected. Instead Cabinet approved the increase of $100 million for the 1977-78 Employment Strategy in the budget speech at the end of March. The first phase of the Canada Works program would receive an additional $50 million for a total of $110 million. Another $20 million was allocated to Young Canada Works for a total of $46 million for the summer of 1977.


The policy direction for the 1978-79 Employment Strategy was given more substance in the second report of the ICED released in June. The purpose of the paper was to review and assess the progress of the 1977-78 program and suggest possible alterations for succeeding years. According to members of the ICED, the implementation of the 1977-78 Employment Strategy was proceeding as anticipated. The administration of the Canada Works program, in particular, was "shifting in the directions" that were anticipated in the original 1976 proposal. There was more emphasis on established organizations and there was a general shift away from service projects to construction, recreation and leisure types of activities."

There were three main criticisms of the first year of the 1977-78 Employment Strategy and its impact on unemployment: the scale of the program was inadequate relative to the overall scale of the problem; the emphasis on short-term job creation had a limited impact on the more fundamental aspects of unemployment and job creation programs were largely palliative rather than curative. It was important to return to the private sector emphasis that had underlay introduction of strategy in 1976. Regardless of their "intrinsic worth to the community" most job creation programs were not closely associated with either economic development or key improvements in the labour market. It would be preferable if the Employment Strategy were assisting in economic development and the provision of full-time continuing jobs."

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54 NAC RG 118 ACC 89-90/ 039 Vol. 139 File 3920-8-2-1 Pt. 3, Shape and Scale of employment Strategy 1978-79 1.
The paper outlined the economic conditions that were expected over the next two year period. Economic developments in 1977 were taking place within an international and domestic environment of relative constraint as major industrial countries sought to restore full employment and to wind-down inflation at the same time. The government's economic strategy was consistent with the recommendations adopted at the OECD Ministerial Council in June 1976 and the Puerto Rico Summit in July 1976. Enduring growth over a period of four to five years required that short-term action should be taken in light of medium term needs. It would be better to restore full employment "gradually but securely" over several years rather than to risk a "dramatic front-loaded recovery" with the danger of inflation. The OECD proposed an increase in the real growth for the whole of the OECD areas averaging 5.5% from 1975 to 1980.

The main factor in the medium term projections prepared by officials at the Department of Finance was the choice of "an output path" which was "consistent with a steady decline in unemployment and a moderate further downward trend in inflation." This involved a decelerating trend in the potential growth rate towards 4.25% by 1981 and a target in the US of sustained moderate growth averaging between 4.5% to 5% over the same period. For 1976-81 the average annual growth rate of real GNP was projected to be 5%, accompanied by an increase in employment of 2.75%. The unemployment rate in 1981 was expected to be 6% to 6.25%. An increase in unemployment by 150,000 was expected with an unemployment rate of 7.8% and 8%. Assuming that there would be an increase of real output in 1978 of 4.5% to 5% and a further but lower expenditure on job creation programs, the government anticipated a gain in total employment of 250,000.

56 Ibid., 18.
57 Ibid. See also NAC RG 118 ACC 89-90/ O39 Vol. 139 File 3920-8-2-1 Pt. 3. Draft Employment Strategy 1978-79 n.a. This earlier draft of the Cabinet submission was more frank about the government's economic strategy. The economic situation was considered to be more volatile, particularly in view of developments in the United States. It was unclear what impact a series of fiscal stimulus proposed by the Carter administration would have on the economy. The favourable prospects for the US economy together with recent depreciation of Canadian dollar meant that exports would be major force of expansion on Canadian economy. Even with continued restraint over expenditures of all levels of government, their purchase of goods and service was expected to rise. In 1977 employment growth was expected to increase by 150,000. If participation rate remained the same the government was predicting an average rate of unemployment of 7.8%. If the participation rate increased the rate could increase to over 8%: "While we might like to do better, these targets
Unemployment was still expected to increase in 1978. The government needed to give serious consideration to four sets of options: (i) expanding funding for the employment strategy to “the maximum fiscally possible”; (ii) orienting the strategy as much as possible in the direction of stimulating private sector employment; and (iii) orienting the strategy in the direction of effecting basic improvements in the operation of the labour market. The degree of expansion of the employment strategy was: fundamentally a matter of the balance which must be struck between the need to reduce unemployment and the restraints of the fiscal framework.

In considering new initiatives the ICED conducted another review of job creation and education programs in different countries. The report echoed the findings of the 1974 Interdepartmental Task Force Report on Direct Job Creation. There were few new departures or major differences with the exception of work-sharing and some work subsidy programs.* Work-sharing would be part of a number of pilot unemployment insurance projects beginning in the fall of 1977. Members of the ICED still had concerns about the incrementality of employment generated through subsidy programs. Wage subsidy programs were most effective for “hard-to-employ” individuals. This left the option of stimulating continuing employment in the private sector. The existing format of the Canada Works program did not lend itself to such initiatives. The were two main barriers: the prohibition against activities that were profit-generating and the priorities of constituency advisory groups which tended to discourage the approval of private sector projects.

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*Ibid., 20

59 Ibid., On this point the earlier draft was more candid about why it was difficult to find international comparisons. The report referred to the “institutional factors” that distinguished employment policy in Europe from Canada. In many European countries there was a different ‘social contract’ between unions and employers. The emphasis of policy was on preventing unemployment among those already employed and encouraging employment in the private sector for specific groups which had difficulty in securing employment. This emphasis was reflected in legislative restrictions pertaining to layoffs of workers, in the use of unemployment insurance funds to compensate employees for shorter work hours in work sharing schemes and in wage subsidies paid to employers for hiring specific groups among unemployed. The countries tended not to rely on short-term job creation programs.
Economic Growth Component of Canada Works

To address these problems the ICED report recommended the development of a new Economic Growth Component which would operate within the Canada Works umbrella but be “largely free from the constraints of the regular program.” Money would be made available for projects administered by different federal departments which would directly or indirectly result in the creation of continuing employment in the private sector. The cost-effectiveness of the projects would have to be comparable to projects in the regular Canada Works program. Preference would be given to projects in constituencies with high levels of unemployment. The longer-term planning cycle associated with Canada Works already allowed for a closer collaboration between the job creation programs of Manpower and Immigration and other federal departments.

There were two examples of the type of programs that might be considered under a new Economic Growth Component. The first, Local Economic Development Association or LEDA, was based on the experience in the United States with Community Development Corporations and elements of DREE’s Regional Development Initiatives program. These programs demonstrated that there was a significant employment potential that could be realized through the provision of financial and managerial support to new or expanding small businesses. This support would be provided through locally organized institutions in communities or regions with high levels of unemployment. If Cabinet approved the concept of Economic Growth Component a detailed proposal for the introduction of such an initiative could follow shortly. The funding level would depend on the program design. The program could use funds of $2 million in the first year.15

Another example of the type of program that could be developed was the Salmonoid Enhancement Program currently sponsored by the Departments of Fisheries and the

10 Ibid., 22.
11 Ibid., Also see NAC RG 118 ACC 85-86/ 071 Box 3008-3 Pt. 1. Memorandum to Jack Manion, Assistant Deputy Minister (Manpower) from Cam Mackie, February 11, 1975. Interest in the potential for community economic development can be traced to the policy review in January 1975 and a series of documents in the first quarter of 1975. Mackie and other senior officials at JCB were convinced that a program modelled after the American Community Development Corporations would address the problem of the ‘stopgap’ nature of LIP projects.
Environment. The program aimed to double the supply of BC salmon fisheries resources. The first phase of the project was expected to cost $150 million. The schedule of implementation of such an important program might be adversely affected by restraint. The program also included a number of labour intensive project activities which took place in constituencies with above-average employment. Much of this work was performed by unskilled personnel. Elements of the program were currently contained in four separate Canada Works projects.\(^6\) The nature of the constituency allocation process and project prioritization and approval procedure, however, did not lend itself to the type of long-term planning required for the project.

The reformulation of the Canada Works program with an Economic Growth Component would make available up to 30% of the annual Canada Works funds for use in federal projects which would result in the creation of continuing employment in the private sector. The funds would be allocated on a provincial basis. The project proposals would originate within federal departments or agencies. To qualify proposals would have to demonstrate that the project could not otherwise be completed. If the funds were not allocated under the Economic Growth Component, the money would revert to constituency allocations under the regular Canada Works program.\(^6\)

Three broad funding options were outlined for the 1978-79 Employment Strategy. To maintain each element of the Employment Strategy at the same activity level as 1977-78, the government would have to increase the level of funding by $34 million (taking into consideration the impact of inflation). With the same amount of funds the government could make provision for new initiatives and increase the budgets of selected programs in the Employment Strategy at the expense of Canada Works and Young Canada Works. Under this

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\(^6\) Ibid., Under Phase II of Canada Works the Department of Fisheries was allocated $4.6 million to expand the Salmonid project in British Columbia and another $1.5 million for the Fishing Vessel Subsidy Program in the Atlantic Region.

\(^6\) Ibid., 30. See also NAC RG 118 ACC 89-90/ 039 File 3920-8-2-1 Pt. 3 Manpower and Immigration Canada Works May 16, 1977 to August 31, 1977 Memorandum to the Minister of Manpower and Immigration from the Assistant Deputy Minister Jack Manion Re: Canada Works and Economic Development June 8, 1977. The proposal for the Economic Growth Component of Canada Works stemmed from discussions of members of ICED in early June. Committee members were interested in projects that would address the stopgap nature of Canada Works by stimulating economic development and "continuing job creation" in the private sector.
option the government could allocate an additional $8 million provided to the DIAND Band Work Process. To increase the number of jobs this option could also incorporate the Economic Growth Component in the Canada Works program and increase LEAP by $10.3 million. The government could also increase funding to allow for these changes plus an increase of $100 million for Canada Works and Young Canada Works.

The report ended on a sobering note. None of the measures proposed in the Employment Strategy would address more than a fraction of unemployment. A major and rapid reduction in Canadian unemployment rates could only be achieved through the use of the main levers of monetary, fiscal, industrial, regional and related policies. The job creation policies described in the report were marginal policies relative to these other policy tools. Expenditures on these programs were constrained to some degree by the need to reduce current levels of inflation and ensure reasonable price stability.

Two points stand out in this discussion. First, the report reinforced the view that unemployment was expected to increase over the next two year period. Job creation would remain a marginal strategy and was not expected to have a major impact on lowering the overall rate of unemployment. At the same time, ICED members were interested in addressing the stopgap nature of short-term job creation. The answer was to develop projects that would encourage ‘economic development’ and continuing jobs in the private sector. Rather than provide funds directly to the private sector, the ICED pointed to infrastructure projects that could be coordinated with other federal departments. This involved a major shift away from project-based funding in the para-public sector to labour intensive infrastructure projects and small business development corporations. There was no discussion of how this change would impact on the unemployment conditions facing women or young people.

This point was not lost on the Status of Women representative on the ICED. On March 31 she wrote to Alan Gotlieb, the Deputy Minister, criticizing the emphasis on prime-aged males in the ICED’s first report. It was inconsistent to dismiss female and youth unemployment and their need for assistance on grounds of “lesser associated hardships” and

64 Ibid., 38.
not apply the same test to prime age males. The report stressed the market behaviour and attitudes of women and youth despite evidence that when jobs were available women and youth did work. Frequent spells of unemployment for these groups could be more appropriately linked to such factors as labour market volatility, inadequate job opportunities, conditions of work, low wages, hours of work, lower levels of bargaining power and the non-availability of services such as day-care. Part of the problem was the inadequate data available on women's labour force participation and the problem of unemployment. The deputy minister response was relatively non-committal. The special problems facing women in the labour market would be addressed in long-term study being planned by ICED.66

66 NAC RG 118 ACC 89-90/039 Box 165 File 3920-11-2 Pt. 2 Letter to Alan Gotlieb Deputy Minister, Manpower and Immigration from Julie Lorenger, Coordinator of the Status of Women, March 31, 1972; Reply Alan Gotlieb D.M. Manpower and Immigration to Julie Lorenger, Coordinator of Status of Women, May 6, 1977.
“Hang Tough”: Summer and Fall 1977

Economic conditions worsened in July. As summer began the seasonally adjusted unemployment rate declined but the unadjusted rate remained above 8%. The Canadian dollar continued to decline but the country’s trade balance showed no signs that it was about to improve. To make matters worse, economic growth was beginning to slow down dramatically and the federal deficit was rising above the expectations in the budget. In July the OECD predicted that Canada would have a slow economic recovery during 1977 and 1978. Unemployment was expected to remain at 8%.

In response to this news, the Finance Minister announced that the federal government was planning for another job creation program to keep unemployment from rising much higher during the winter months. The only upper limit on the funds for the program would be:

the government’s unwillingness to interfere with the private sector’s ability to raise needed funds on the capital market.

The Minister repeated comments made during the budget debate in March. The government wanted to encourage business to undertake capital investment. This was a preferable, and faster, mechanism to create jobs. Private sector expansion would eliminate the need for government stimulus in the form of job creation programs.

On August 8 Cabinet authorized an expenditure of $458 million for the Employment Strategy for 1978-79. This was the same amount that had been allocated to the Employment Strategy in 1977-78. At the departmental level a decision was made to set aside $278.6 million for Canada Works. This represented an increase of $23 million over the Canada Works allocation for 1977-78. This was considerably less than the amount recommended by the June ICED report. The Cabinet authorization did not specify how the money would be allocated to different programs. Instead the Department of Manpower and Immigration was

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67 Ibid.
68 Ibid., 322.
69 NAC RG 118 ACC 89-80/039 Vol. 139 File 3920-8-2-1 Pt.4 Memorandum to the Minister. Subject: CW. Deferral of Phase III. Speaking Notes. December 7, 1977 1.
instructed to consider the introduction of measures designed to stimulate employment in the private sector.

Economic conditions did not improve in the fall. The immediate response of the economic policy Ministers to the persistence of stagflation was to "hold firm" on programs to control inflation and the deficit. The Finance Minister, Donald MacDonald, tendered his resignation from the Finance portfolio in September. At a fund-raising dinner in Regina he argued that Canadians would have to adopt "tough solutions" to the country's economic problems. At a speech shortly after, the Governor of the Bank of Canada reaffirmed his commitment to limiting the expansion of the money supply. A more restrictive economic environment would not lead to political confrontation. The public understood that the real battle was against inflation."

These themes were reinforced in the Throne Speech in October. The government planned to announce plans for further tax reductions and investment incentives legislation. Both measures were designed to "create new jobs." In his speech to the House of Commons the new Minister of Finance, Jean Chretien, stressed that the country was in "big trouble" and that Canadians would have to accept a decline in their standard of living to get the economy moving." The "hang tough" message did little to ease the tensions in the House of Commons. Unemployment rose to a post-depression high of 8.5% in December. One observer described the tension between the opposition parties and the government:

There isn't much respect let alone liking left in the Commons between the major adversaries, leaders or parties."

After a series of reports, briefs and countless suggestions, the government had few new proposals to address the problems of inflation or unemployment.

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72 Ibid.
Canada Works for the Private Sector:

Deferral of Phase III Canada Works

While debate raged on in the House of Commons over the government's failure to come to terms with the economy, officials at JCB were working on proposals to comply with Cabinet's direction to have more private sector involvement in the Employment Strategy. Department officials were concerned that Canada Works had reached an "optimum" level of funding. There needed to be more effort put into diversifying the types of projects that could be funded under the program." A Memorandum in mid-September claimed that changes were necessary to reflect:

the wishes of the government that more effort should be directed to downstream economic benefits and the creation of more permanent jobs than presently available under Canada Works."74

Senior officials at JCB shared the ICED committee's view that the program criteria for Canada Works was not conducive to attracting private sector participation. Part of the problem stemmed from the fact that businesses were "fighting for their own survival" in the current economic climate. The non-profit restrictions in Canada Works were a further barrier to business participation. A third factor related to the composition of Ministerial Advisory Boards. To promote more private sector participation, Members of Parliament would have to consider appointing "another sort of person" to the Ministerial Advisory Boards. Board members would have to include individuals who were more supportive of private sector projects."

In late November a decision was made to defer the implementation of Phase III of the Canada Works program to allow for more "lead time" in the development of program changes. Phase III was scheduled to begin in April 1978. This meant that there would be a

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73 NAC RG 118 ACC 89-90/ 039 File 3920-8-2-1 Pt. 3 Manpower and Immigration Employment Strategy Canada Works Memorandum to H. Johnston Senior Director JCB from G. Conger Assistant Deputy Minister (Manpower) July 21, 1977 Re: Job Creation Programs.
74 NAC RG 118 ACC 89-90/ 039 File 3920-8-2-1 Pt. 4 Memorandum to G. Conger Director General Employment Development Group from D. Haslegrave Acting Director Canada Works Re: Canada Works Phase III. September 15, 1977.
considerable overlap between Phase II projects and the new Economic Growth Component of Canada Works. In the Deputy Minister's view, there was already a large amount of money in Phase II of the Canada Works program. Most of the Phase II projects would still be in operation in April and May when officials would be assessing projects for Phase III and the EGC projects were scheduled to begin."

There were other, more political, reasons for delaying the next round of the program. The lessons from Phase I and Phase II of Canada Works suggested that one large round of the program had a more visible and lasting political impact on the Canadian public. According to the Deputy Minister, a more effective use of the Canada Works fund would be achieved by concentrating the allocation in a one, substantial phase of the program in the later summer/fall of 1978. This was preferable to two smaller phases in the spring and fall." The longer lead time between different phases of the program would also allow officials at JCB more time to develop and implement policy changes into the program. Plans were underway to reconsider key aspects of the constituency based program to allow for "longer term development."

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76 NAC RG 118 89-90/ 039 Vol. 139. File 3920-8-2-1 Pt.4 Memorandum to the Minister from J. Manion DM Manpower and Immigration. Re: CW Deferral of Phase III. December 7, 1977. The allocation for Phase II included $225 million from the original allocation plus $11 million of unused funds from Phase I. JCB received a record value of $600 million in applications for Phase II (three times the amount available to fund projects) and the project quality was considered to be good. Senior officials with the program did not think it was necessary to allocate additional funds for the spring.

77 Ibid.

78 This view is expressed in a number of Memoranda in the late fall. See NAC RG 118 ACC 89-90/ 039 Vol. 139 File 3920-8-2-1 Pt. 4 Memorandum to G. Conger DG Employment Development Group from D. Haslegrave A/Director CW. September 15, 1977. Re: CW Phase III. Proposed Criteria Changes.
Economic Growth Component of CW

With Phase III of the community-based section of the regular Canada Works program cancelled, the attention of policy-makers shifted to the new components of Canada Works that were approved by Cabinet in principle in July. Discussions related to the design of the Economic Growth Component of Canada Works were already underway in late August 1977. JCB officials met with representatives from a number of Federal Departments and the provinces to discuss prospective projects during the fall. The department was interested in collaborating with other federal departments on large projects that would stimulate economic growth. In a Memorandum to the Deputy Minister, the Executive Director of the new Labour Market Policy Group described these initiatives as a "creative use of CW funds." A total of $23 million out of the overall allocation for Phase III of Canada Works was set aside to fund projects.

Treasury Board criteria for the EGC program was approved in January 1978. All projects would be reviewed by the ICED and approved by Treasury Board. JCB would play no direct role in the assessment of the proposals. Proposals would be developed and submitted by a Federal department or organization. The activities on EGC projects would have to result directly or indirectly in the creation of incremental continuing employment in the private sector within both the short and medium term. Proposals would have to demonstrate that without EGC support the activity would not occur within an appropriate time-frame. Allocations would be allocated on a provincial basis in the same ratio as the regular CW funds (but not on a constituency basis). These funds would not be allocated to specific constituencies but would only be utilized in constituencies with above-average unemployment.

Interested departments would have to submit proposals to ICED by January 1 of any given year for projects that would be implemented the following year. ICED would then review and rank the projects, advise the Minister of Employment and Immigration who

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79 NAC RG 118 ACC 89-90/039 Vol. 152 File 3920-8-2-23 Pt.1 Memorandum to Manion Chair from D. Campbell Executive Director Labour Market Policy. Subject: Spruce Budworm. October 24, 1977.
would then make recommendations to Treasury Board. A Memo to the ICED in April indicated that members were making recommendations on six proposals, including two forestry proposals from Nova Scotia and Ontario. DREE was expected to make maximum use of its funding ability for these projects under the *Regional Developmental Incentives Act*. Private interests were also expected to provide at least 20% of the equity involved in the projects.\textsuperscript{1}

According to the CEIC Annual Report for 1978-79, 43 projects worth $51.8 million were considered by ICED during the first year. Treasury Board approved projects worth a total of $28.4 million. One of the objectives of the program was to “improve the climate for private sector jobs.” The national scope of the program was illustrated by the Small Business Intern Program sponsored by Industry, Trade and Commerce. The project provided wage subsidization to small and medium size businesses hiring recent grades. Another project, the Springhill Tree and Nursery, was sponsored jointly by the Solicitor General and Scott Paper. The tree nursery was located at the Springhill Medium Security Prison.\textsuperscript{2}


\textsuperscript{2} *Ibid.*
Alternate Use of CW

Similar developments were underway for a new Alternate Use component of the Canada Works program. The idea of diverting Canada Works funds for joint federal-provincial projects stemmed from a proposal to use Canada Works funds to enter into a joint agreement with DREE and the province of Quebec to fund a municipal infrastructure program in early 1978. At the First Ministers Conference in February 1978 it was agreed that officials from the Canada Employment Immigration Commission would help develop forestry management projects using Canada Works funds. Project proposals would originate with provincial governments either directly or through the medium of a federal agency. The activities would have to assist the general economic development of an area while creating immediate incremental job opportunities for the unemployed in areas of high unemployment. The projects would have to demonstrate that they would be as productive (in terms of number of potential job creation) as a comparable expenditure on constituency-based proposals.

The allocation formula for the program was developed in May 1978. Money would be available for Alternate Use projects lasting up to four years. Approximately $26 million was available to the program including $11 million from the regular Canada Works program and $15 million from the EGC. Allocations to the program would be based on a base minimum of $600,000 per project for each of ten provinces (total $6 million). Additional shares of the $20 million remaining would be allocated using a trigger rate based on the unemployment rate in each province. This formula would not be announced publicly but was to be used in negotiating guidelines with the provinces. It was assumed that the NWT would not be initiating forest management projects or others planned under the Alternate Use

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\(^{33}\) Ibid.

\(^{34}\) NAC RG 118 ACC 88-89/073 Vol. 12 297-78 4 Pt. 1 Memorandum to the Committee of Economic Deputies from T. Shoyama, Deputy Minister, Department of Finances Re: Conclusions of the First Ministers' Conference, March 6, 1978.

\(^{35}\) The $11 million from the constituency based CW component was based on a figure of 10% of the CW allocation for Phase III. The $15 million from EGC represented dollars that had not yet been contracted under that program.
program."

All agreements were scheduled to end on March 31, 1982. According to the *Annual Report* for 1978-79, three agreements were signed: a $38.9 million infrastructure development project with Quebec; a $35 million forestry management project with Nova Scotia and another $12.6 million forestry project with New Brunswick. The chief financial role for these projects was transferred to DREE in September 1978 (effective April 1, 1979)."
The Employment Tax Credit

The new components of Canada Works were not the only new job creation initiatives being developed at the federal level. On January 25 Chretien introduced legislation that would provide tax credits to Canadian businesses to create up to 50,000 jobs. The Employment Tax Credit Act promised to give a tax benefit of up to $2 per hour (to a maximum of $2340) for each new employee hired over a nine month period by businesses adding employees to their payroll. The program would cost the federal government an estimated $100 million in lost revenues. The program was expected to be operational in March 1978. Jobs would have to be at least three months duration and full-time to qualify. Employers would have to assert in a Memorandum of agreement that these jobs would not have been otherwise created."

The proposal for a tax credit program developed out of discussions between government officials and representatives of the Canadian Federation of Independent Business." Plans for the legislation were first announced in the throne speech in October 1977. When the legislation was introduced in the House of Commons in January, Chretien indicated that government officials had reviewed the US and European schemes during the past three months." The United States introduced a similar program in 1977-78."

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58 "50,000 jobs is target of tax plan," The Globe and Mail (January 25, 1978) 1.
90 "50,000 jobs is target of tax plan," The Globe and Mail (January 25, 1978) 1.
91 The US began to experiment with tax credits and wage subsidies in 1977 as part of Carter's economic stimulus program. The Skills Training Improvement Program was introduced in 1977. In 1978 another Private Sector Initiative Program was created under the reauthorization of CETA. PSIP had two parts including a targeted job tax credit worth 50% of wages (up to $6000) of eligible employees the first year and the formation of local private industry councils. The targeted jobs tax credit introduced in 1978 allowed for up to $3000 the first year and $1500 the second. See Marshall R. (1984) "Selective Employment Programs and Economic Policy," Journal of Economic Issues Vol. xvii. No. 1. (March): 127.

The table below indicates the increasing commitment to subsidy schemes in Europe and the US and the relative lack of emphasis in the Canadian employment programs up to 1977.

<table>
<thead>
<tr>
<th>Expenditure on Direct Job Subsidy Programs</th>
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<tr>
<td>As Percentage of GNP: Selected OECD Countries</td>
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</table>
Interest in the Employment Tax Credit program was based, in part, on the department's successful experience with the Jobs Experience Training program that was introduced as part of the Employment Strategy in 1977-78. JET provided a limited wage subsidy to encourage employers to hire young people. The Employment Tax Credit program was considered to be a much more ambitious and massive project. The target group included all members of the labour force who were unemployed and actively seeking work for at least eight weeks, including unemployed youth. Provincial allocations to the program were based on a formula that targeted high unemployment regions. According to one official, a straight tax cut would not allow the government to target high unemployment in regions such as the Gaspé in Quebec or the Atlantic provinces. Officials with the Finance Department speculated that only about 25% or 12,500 jobs were expected to be created in the first year (the $100 million budgeted would fund a maximum number of 50,000 jobs). In the House of Commons, Chretien claimed the experimental program was designed to obtain the maximum number of new jobs within the private sector with a "minimum of red tape and expense." The program promised to stimulate employment without a further escalation of inflation. The opposition Tories supported the plan and urged the government to introduce the program before March. Clark claimed the program could be in place by mid-February."

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>United States</th>
<th>Sweden</th>
<th>United Kingdom</th>
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</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>0.10</td>
<td>0.10</td>
<td>1.05</td>
<td>0.16</td>
</tr>
<tr>
<td>1974-75</td>
<td>0.08</td>
<td>0.17</td>
<td>0.63</td>
<td>0.19</td>
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<tr>
<td>1975-76</td>
<td>0.10</td>
<td>0.30</td>
<td>0.88</td>
<td>0.22</td>
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<tr>
<td>1976-77</td>
<td>0.12</td>
<td>1.16</td>
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'New’ Private Sector Initiatives or ‘Old’ Infrastructure Projects

A number of points stand out about the planning for the three new private sector initiatives. Rather than representing a ‘new’ set of initiatives, the activities sponsored by the Economic Growth Component and the Alternative Use of Canada Works programs reflected more traditional infrastructure measures. The Employment Tax Credit provided funds directly to the private sector, but the other two programs were designed to “stimulate employment” by co-sponsoring infrastructure projects with other departments and the provinces.

The shift to infrastructure projects reflected, in part, the view that the potential for developing projects under the regular Canada Works programs was “saturated.” It was also consistent with the assumption the definition of “real work” that was outlined in Cullen’s original announcement of the Employment Strategy in October 1976. There were strong ideological reasons for pursuing projects that were considered to be “private sector” based. The rationale was consistent with the view that broader public and service sector work was more valuable. By definition this also implied that the “real unemployment” was concentrated in the male-dominated sectors of the labour market.

In a climate of restraint, there were other institutional factors that were conducive to this new thrust in policy. Both the Economic Growth Component and the Alternative Use program allowed the Minister to provide his colleagues in Cabinet with additional funds to develop projects. This new sponsor base represented a major shift away from the community-based model of job creation that had been modelled after OFY and LIP. The strongest evidence of this shift was the decision to bypass the constituency advisory groups. Once considered a critical component in ensuring local involvement, the groups were now considered to be a barrier in terms of allowing for the shift to more private sector and infrastructure programs.
Plans for the Post-Control Period

There were no new announcements of job creation dollars during the first half of 1978. Instead the main attention of government was directed at the state of the economy and controlling the federal deficit. An effective strategy to limit impact of stagflation continued to elude policy-makers. The rationale for wage and price controls in October 1975 was to give the government “breathing space” to reflect on economic directions that would be required for the post-control period. It was two years later and there was little evidence to suggest that conditions were about to improve. The government announced in October 1977 that it was committed to ending the Anti-Inflation Board program in the spring of 1978. There was still little relief in sight. Unemployment ranged between 5.5% and 6% when controls were first introduced. The rate of unemployment rose to over 8% in 1977. By the time the AIB program ended in the spring of 1978, the Consumer Price Index was rising by 9.5%. Unemployment stood at 8.5%.

The unexpected persistence of stagflation into 1977-78 raised considerable doubts about the efficacy of traditional instruments of demand management. The view that increased public spending and inflationary wage demands were responsible for the current economic malaise was given justification in an early draft of an OECD report that was circulating the higher echelons of the federal bureaucracy in the mid-control period. Towards Full Employment and Price Stability, widely known as the McCracken Report was written by eight senior conservative economists and released in July 1977. The report argued that the current recession was rooted in an “unfortunate series of events,” including the rapid rise in energy prices and the collapse of the international regime of exchange payments associated with the Bretton Woods Agreement. Most governments had exacerbated the problem with expansionary macroeconomic policies in 1972-73.

There were three main strategies recommended for policy in the medium term: (i) publicly announced limits to the growth of monetary aggregates; (ii) fiscal restraint; and (iii) mandatory wage and price controls. As a prescription for economic policy, the McCracken

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Report provided governments with the justification for policies aimed at restraint and the stimulation of private sector investment. A period of sustained increases in real incomes and employment was “a reasonable prospect” with growth rates of GNP that averaged 5 1/2% in the period from 1975 to 1980. To dampen public expectations, governments were justified in pursuing levels of employment that were “lower than desirable” in the short-term.

A series of developments in the first half of 1978 indicated that government was increasingly swayed by this argument. The government’s economic policy was unveiled at the First Minister’s Conference in February. In his speech to the conference the Minister of Finance pointed to two documents: the department’s medium term projections and targets for the Canadian economy that were tabled in the House of Commons the week before. Both reports advocated a program of “moderate growth” in the short-term. The government was committed to fighting inflation and creating jobs. The problem was that the government was running a serious deficit. A series of tax cuts and the automatic indexation of personal income taxes had further reduced revenues but increased the after-tax incomes of Canadian consumers. The government could not expect to bring the rate of unemployment down to low levels and keep it there through demand management policies. In the medium term the direction of economic policy would be aimed at battling inflation and the deficit.

Despite increasing pressures to deal with stagflation and unemployment, the attention of the Prime Minister and his key advisors was on the need for tighter fiscal restraint. After the First Minister’s conference, Treasury Board was given the mandate to monitor spending in the federal public service. Stringent guidelines were in place by the spring of 1978. The Prime Minister wrote directly to all Ministers in June asking for proposals to reduce expenditures in their departments. These cuts were designed to help meet the commitment to restraint that had been negotiated at the First Ministers Conference. The PM received few offers to reduce departmental budgets. While Cabinet was united in its overall commitment

96 Ibid.
to restraint, few Ministers were willing to “give up” parts of their budget to the exercise.*

Shortly after the Prime Minister attended the famous economic summit of world leaders held in Bonn, Germany in July. At the conference Trudeau was impressed by the argument put forward by Helmut Schmidt, the Chancellor of Germany. The German politician argued that the need to reduce government spending was an indispensable element in the battle against inflation. A year after the report was released, the OECD’s McCracken Report provided an important backdrop to the conference. The report’s critique of the post-war Keynesian experience was attractive to most of the western leaders attending the conference. Two points were clear. Industrial democracies could not continue to finance mounting internal and external deficits. There would have to be a forced pace of adjustment. Trudeau had already indicated his support for this argument at the First Ministers Conference in February. By July he was agreeing to provide international leadership with a major attack on government spending.*

When he returned from the conference the PM began the process of negotiating increases in oil prices. In the PM’s view the country could no longer afford to cushion energy prices indefinitely. The second problem to be addressed was the need for further restraint. After the failed June expenditure restraint exercise, the PM was convinced that the federal resource allocation process was wholly inadequate to meet the challenge of restraint. It was also clear that the government was in serious political trouble. Public opinion polls revealed a major decline in popular support for the Liberals in Southern Ontario. For key Liberal strategists, this decline was a product of middle class disenchantment with Trudeau’s overall tax and fiscal policy. It made sense- politically and economically- to attack the deficit.

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99 Ibid.
100 Ibid.
The August Cuts

The Prime Minister made a surprise announcement on national television outlining the federal government's new economic priorities on August 1. In his speech the Prime Minister pointed to government spending as a major cause of the current economic malaise. The government was generally "on the right track" with its economic policies, but there were worrying developments in terms of the impact of inflation on the old, unemployment on the young and labour unrest in the post office. There was also too much government regulation of the economy and not enough capital investment. To address these problems the government pledged a $2 billion reduction from current and planned expenditures. The government would also be introducing a series of as yet unspecified tax cuts. There would be zero growth in the public service and the PM promised to maintain a tough position in public sector wage negotiations. There was also a vague promise to reduce government intrusions in the economy.\footnote{F. Lazar, "The National Economy," \textit{Canadian Annual Review of Politics and Public Affairs} (1978) 338-339.}

The announcement caught other Cabinet members and senior officials in the civil service by surprise. Officials in the Department of Finance had already committed the government to a program of controlling expenditures in February, but there was no notice to the Finance Minister or the Deputy Minister that the PM was planning this public announcement. This was considered to be a blow to the Minister and senior officials of the department given the PM's prior commitment to priority planning in the civil service. At the same time, the message was consistent with the restraint commitment Finance had been promoting since late 1977. With little prior warning all departments were issued with a call to submit proposals for budget cuts to the President of Treasury Board.\footnote{R. French, \textit{How Ottawa Decides} 72.}

Over the next few weeks the Finance Minister and the President of Treasury Board drew frequent headlines with promises of major cutbacks. On August 16th Andras announced that specific expenditure cuts would total $1.5 billion:

Of this amount $1.25 billion are specific cuts in specific programs this year and next . . . Another $250 million will take the form of cuts in
administrative costs extending to virtually every department and agency in the government. The $1.5 billion we agreed on today is in addition to the $965 million in reductions that the government has achieved through determined cost-cutting exercises that began in April.

Chretien followed in late August with an announcement of several major tax and expenditure changes, including a reduction in family allowance payments from $26 to $20 (effective January 1, 1979). The government anticipated an additional $580 million through further tightening of UI in the 1979-80 fiscal year. Standing out in the context of these cuts, was a proposal to introduce a refundable tax credit for low and middle income earners with children that would commence during the 1978 tax year.

The initial response of the media was sceptical. Critics argued that the reductions announced in August were simply measures anticipated in the restraint exercise announced the previous spring. To address this criticism, Andras and Chretien issued a joint statement on September 8th. The spending cuts announced by the government totalled approximately $2.5 billion. Only $500 million of this amount represented actual reductions in spending for the 1978-79 fiscal year. Given that 80% of the cuts announced would not take place until the following year, critics questioned whether or not the government would have ever spent the money. Even after the cuts the federal government planned to increase spending by 9.5% over the expenditures for 1977-78. The projected expenditures for 1979-80 represented a further increase of 8.9%.

The majority of these savings stemmed from cuts to environmental and cultural projects that were put into social benefits such as increased pensions. For parliamentarians the massive juggling of the books resulted in net savings of only $150 million in 1978-79 and $480 million in the 1979-80 fiscal year. The major cuts included: $100 million for the home insulation program; the phasing out of new purchases for the Canada Council’s new art bank; the cancellation of the $12.5 million “ill-starred” CES program; and a reduction of $18.2

104 Ibid.
105 Ibid., 340.
million for "low priority" manpower training programs.106

At CEIC the largest impact of the reductions fell in the area of training programs, the Outreach program and the Community Employment Strategy.107 The latter program was cancelled completely. While this marked a sharp reversal in the Strategy's fortunes, the program had not been considered a major part of the department's overall job creation strategy. Progress on the program had been slow. By the 1978 there were only 20 projects across the country. The developmental phase of the program had been expanded to March 31, 1979. In June 1978 Cullen had written to Robert Andras, the President of Treasury Board indicating that the department planned to expand the community employment strategy in 1979-80. The department had a 'moral obligation' to continue with the projects currently underway. The department planned to develop a policy paper that would be presented to Cabinet in October. That 'moral suasion' desolved in the face of pressure to cut the department's budget.108

107 NAC RG 118 ACC 89-90/ 039 Box 22 File 3060-0-1 Pt. 6 Memorandum to Staff from F. Godbout Executive Director of the Department of Finance and Administration Department of Manpower and Immigration. The Outreach program was also reduced from $9,840,000 to 6,637,000. Since a significant amount of the Outreach funding had already been committed through a renewal of individual agreements (which extended into the next fiscal year), these cuts resulted in a dramatic reduction in the total number of projects (Memo to Minister November 2, 1978).
108 NAC RG 118 ACC 89-90/ 039 Box 22 File 3060 Pt. 7 See Letter to R. Andras President Treasury Board from Bud Cullen, May 23, 1978; Letter to B. Cullen Minister of Manpower and Immigration from Robert Andras President Treasury Board, June 13, 1978. Both of these letters indicated that the CES would be expanded for 1979-80. After the cuts projects were told to wind down. See Memorandum from Jack Manion ADM (Manpower) to Provincial Director Generals, November 29, 1978.
Employment Strategy: 1978-79

There were no immediate cuts to Phase III of Canada Works. Projects were expected to begin on September 1. The August announcements did have an impact on plans for the 1979-80 Employment Strategy. The final version of the Memorandum to Cabinet was circulated to members of the ICED on August 25. According to Manion, Plans for the 1979-80 Employment Strategy had been overtaken by the announcement of budget cuts which had changed the situation "to a considerable degree." The proposal for the 1979-80 Employment Strategy was submitted to Cabinet in late August.

In keeping with themes described in February First Minister's conference, the Employment Strategy for 1979-80 was described as "Growth Oriented." The government needed a major expansion in employment creation but of a different kind than in the past. The Employment Strategy for 1979-80 was designed to provide a major, immediate and continuing boost to private sector employment. To have an impact on employment in this sector, the total allocation to the Employment Strategy would have to be "financially big enough to be visible" but "effective enough to have a low unit cost." The program would have to stay within reasonable cash limits, utilizing unemployment insurance funds as much as was practical. The federal government would have to provide assistance to the provinces and municipalities to help set the stage for business growth. There would also be a strong emphasis on youth unemployment.

The new Growth Oriented Strategy was designed to pay attention to "what hands the money flows through" and "who ultimately benefits." There was stronger emphasis put on programs that allocated funds to the private sector as well as to the provinces and municipalities. There would still be provisions in place to ensure that federal credit was attached to the programs. The main objective of the 1979-80 Employment Strategy was to begin the "the gradual conversion to industrial growth and adjustment strategy" that was

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110 NAC RG 118 ACC 89-90 Box 22 File 3060-0 Pt. 6 July 1976 to October 30, 1978 "Growth-Oriented Employment for 1975-80,".
needed for the 1980s. There were three main components: (i) a private sector growth and employment fund of $427 million; (ii) a youth employment and employability fund of $163 million; and (iii) direct job creation fund of $275 million. The total was $875 million but not all of this amount was considered to be a direct cash cost to the government.\footnote{NAC RG 118 ACC 89-90/039 Box 22 File 3060-0 Pt. 6, Employment Strategy. Technical Program Program Notes. August 30, 1978.}

There were a number of new elements. The private sector growth and employment fund boosted the Economic Growth Component of CW to $200 million—$50 million for federal private sector growth projects and $150 million for provincial/municipal growth projects including forestry and infrastructure for industry. The Employment Tax Credit was included in the Employment Strategy announcement for the first time. The rules were changed to ensure that the tax credit program "really employed 50,000 people" for $100 million (in lost tax revenue).\footnote{Ibid.} A new program, LEDA, was allocated $50 million for community economic development corporations that would provide support to small business development. The industrial training program was increased by an additional $37 million and the apprenticeship program for occupations experiencing skill shortages was increased to $20 million. The department also planned to resurrect the emergency response feature that was included in the 1976-77 program with $10 million.\footnote{Ibid.}

The Minister announced the new Employment Strategy for 1979-80 in mid-September. The strategy was allocated a total of $710 million to create 113,000 training or work years. This amount included $570 million in cash expenditures, $100 million in foregone tax revenue and $40 million in Unemployment Insurance funds for the Job Experience Training program. In keeping with the government's resolution to reduce its spending, the increased funding for the Employment Strategy resulted from a reallocation of funds saved by spending cuts throughout the government. The main features of the program included: (i) a streamlined tax credit; (ii) an expanded industrial training program;
(iii) an expanded Job Experience Training program (provided wage subsidies for youth workers in the private sector); (iv) an expanded youth employment program; (iv) an expanded program for disadvantaged groups and regions through LEDA and LEAP; (v) and an expanded Economic Growth Component. There were also new policies to deal with industrial change and development, including portable wage subsidies and more strategically directed mobility assistance program.

More Targeting and Restraint: Canada Works and the Developmental Use of UI

The overall direction of the Employment Strategy was elaborated in two discussion papers in the fall. A discussion paper on the Canada Works program was circulated to officials in the department in October. The emphasis was on more targeting of the program in areas of high unemployment. There was a general concern that the employment strategy, as a whole was having an important geographic impact. Officials estimated that the government’s employment tax credits were having a greater impact in Central and Western Canada. This suggested that there should be more targeting of the general Canada Works allocations to locations east of the Ottawa River. This change would also help compensate for the changes to unemployment insurance by providing an additional $39 million in funds to Quebec and the Atlantic provinces. This figure represented the amount of funds that would accrue to Ontario and the Western provinces in another round of Canada Works.\footnote{114}

The report also recommended eliminating the provision for constituency allocations. Instead allocations should be based on a determination of ‘high unemployment’ regions. Over the long-term, the employment development of disadvantaged groups and regions would be addressed through a combination of LEAP and LEDA (Local Economic Development Associations) funds. This would entail a longer term approach to the problem of unemployment and a corresponding commitment of longer-term funding. The 20% of funds currently allocated to Native communities under CW would transfer to LEAP.\footnote{115}

\footnote{114 NAC RG 118 ACC 89-90/ 039 Box 138 File 3920-8-0-1 Pt. 7 ES CW Discussion Paper Canada Works, changes in design and allocation.} \footnote{115 \textit{Ibid.}}}
Historically the issue of native allocations arose under LIP in the context of the inability of the Labour Force Survey to accurately assess the unemployment levels on reserves. Status Indians were not included in the survey. More recently, officials from DINA and some representatives from Status organizations had advocated transferring the job creation funds for Native people to DINA. The Canada Works framework was considered unstable and it was difficult to plan and synchronize other programs. The postponement of Phase III of the program the previous winter had caused considerable problems for the native housing program administered by DINA and individual Indian Bands. The constituency-based allocations were also considered to be inappropriate to the needs of individual bands. In areas where status Indian allocations were greater than the regular allocations, there were tensions between Indian and non-Indian groups.

The shift of resources from Canada Works to LEAP marked a major increase in the funds allocated to LEAP in 1979-80. According to the department’s 1978-79 Annual Report, $18 million was transferred from CW to increase LEAP projects involving people of Native ancestry. This increased the total allocated to the program to approximately $51 million. In the same fiscal year, assistance to Native people accounted for 50% of all LEAP expenditures. In addition 365 short-term projects, geared to native people’s needs were developed which involved housing construction and renovation.

The second report outlined plans for the developmental use of unemployment insurance. The developmental use program for job creation had proven to be the most difficult to design. Announced originally in the May 1976 budget, the operational guidelines for the program were not ready until November 1978. This, in part, reflected the resistance of labour and employer representatives on the Unemployment Insurance Commission. When the legislation was finally passed in August 1977, the Minister promised that the government would only offer the program on a pilot basis to ‘test’ the concept.

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The pilot developmental use of unemployment insurance program was finally announced in November 1978. The design of the program reflected the shift in the Canada Works strategy that had taken place over the previous 12 months. The pilot program was aimed at two basic situations. The first involved developmental projects which could make "a lasting social and economic contribution to the community" and "promote improved prospects of permanent employment" for those employed on projects. Examples included reforestation projects involving the thinning of wood lots, salvaging of woods and the planting of new trees. This type of project was designed to provide a valuable source of additional funds for EGC. Provinces would be allowed to sponsor projects which came directly under their jurisdiction. The second component of the program was designed to deal with various kinds of unusual or unexpected situations in specific communities where there was a relatively homogeneous labour force and where there was only limited alternative employment opportunities. This component was modelled after the emergency response feature of CW.\textsuperscript{118}

The sponsor base included established organizations, partnership or corporation and federal, provincial, territorial and municipal governments. The projects must conform to the criteria established for the economic growth component of CW or the emergency response feature. There would be one project per province. The funding from unemployment insurance would be limited to one year. Regular participation on the projects was only open to unemployment insurance claimants for whom the likelihood of them finding employment was unlikely at the time they started on the project or before the end of their participation on the project. Benefits payable to the participant would be negotiated for the project and specified in an agreement between the sponsor and the Commission. The minimum allowable benefit would be the greater of the UI benefits payable to potential participants or the rate identified by the Commission for this type of participation. The maximum payment on any project would be $240 per week.\textsuperscript{119}

Participation on the projects would be considered to be voluntary. Unemployment

\textsuperscript{118} Ibid., 3-4.
\textsuperscript{119} Ibid., 5.
insurance claimants would not be forced to participate in the program. Each project participant would be expected to undertake an active job search during the period of a project where it was determined that jobs were available. The benefits would be paid in accordance with the normal rules of cost allocation under the three phase benefit structure of UI. Other costs would be charged to CW. The Commission would pay benefits directly to participating claimants but enter into a contract with a sponsor which would stipulate sponsor responsibility for all other consequences arising from participation on the projects. The discussion paper made it clear that UI funded job creation would replace ES components such as the Economic Growth Component or the Emergency response feature. Pilot projects were designed to “test” whether UI funded job creation was desirable and/or feasible. The evaluations of the projects would provide valuable insights into claimant behaviour and attitudes in general. They would also help identify the factors which would be considered as incentives or disincentives to participation in the program.¹²⁰

November First Minister’s Conference

With the Minister’s announcement of plans for the developmental use of unemployment insurance, all of the components of the comprehensive employment strategy that were first announced in October 1976 were in place: (i) the Employment Tax Credit; (ii) the Canada Works program was targetted to areas of ‘high unemployment; (iii) there were closer links with other federal departments; and (iv) now there was the potential access to unemployment insurance to fund job creation projects.

The links between these new developments and the Prime Minister’s restraint program were spelled out in the Minister’s presentation to First Minister’s Conference in November. The paper was heavily influenced by the recommendations of the McCracken Report and the philosophy of restraint that had been in the federal bureaucracy since late 1977. In his opening address Cullen stressed:

The Federal government’s economic program announced by the PM on August 1 is based on the fundamental principle that an efficient and

¹²⁰ Ibid., 6.
competitive private sector should play a main role in assuring Canada's economic growth... It follows from the above principle that the government's demands on total resources should be generally reduced so that the dynamism of business may be enhanced and the purchasing power of consumers increased.\(^{121}\)

The economic program had implications for the direction of labour market policy. Government intervention was expected to act as a "catalyst" in promoting self-reliance:

"On the demand side emphasis should shift to private sector employment development helping industry employ Canadians, particularly young job seekers. On the supply side, continuing attempts should be made to increase incentives to work and to remove barriers to employment which could arise through a lack of appropriate skills."\(^{122}\)

The paper predicted that the economy would continue to face the challenge of providing additional employment to meet the increase in the size of the labour force and to reduce the rate of unemployment. This problem would not be as severe in the eighties as it had been in the seventies. The specific aspect of employment generation that was still calling for attention was the creation of additional employment opportunities for disadvantaged workers. The protracted period of high unemployment which made it more difficult for those on the margins of the active work force to gain or regain stable employment.\(^{123}\)

This assessment of the economy had major implications for the development of a labour market strategy. The cornerstone of the federal government's economic strategy was that a competitive private sector should play a major role in Canada's economic growth. The major recommendations of the sectoral task forces set up after the February conference stressed increased resources for training in higher level blue collar skills; more emphasis on industry-based training; more funding and flexibility for mobility programs and more productive uses of UI.\(^{124}\)

According to the Minister, the 'program mix' in the 1979-80 ES was designed to ensure that essentially short-term nature of job creation programs was linked to the resolution


\(^{122}\) Ibid.

\(^{123}\) Ibid., 6.

\(^{124}\) Ibid., 8.
of longer term problems. This trend needed to be further developed and consolidated in the 1980s. Direct job creation resources were expected to play a significant and concerted part in the redirection of economic growth and the reduction of inequities. There was also a growing need to provide special assistance to those communities which were severely affected by industrial adjustment process. This need should become the principal focus of direct job creation programs as the relative importance of cyclical programs decreased.

By the end of 1978 this announcement was no longer 'news.' The shift to a more targeted employment strategy had been developing since 1974. It was hardly surprising that in a climate of fiscal restraint the government would once again consider eliminating the constituency allocations. The main thrust of the new programs was on targeting areas of high unemployment. The programs were still not expected to seriously reduce the overall level of unemployment. Increased targeting was based on the principle that the government should help those 'most in need.' The problem was that in a period of escalating unemployment it was becoming more and more difficult to distinguish between the 'deserving' and 'not so deserving' unemployed.

There were no major changes to the programs in 1979. After an acrimonious first quarter in the House of Commons, the Liberals lost the federal election in May. The federal Tories were long-time critics of the Liberal’s job creation programs but there was little opportunity to change the direction of the programs in the short-term. The new Minister Ron Atkey promised major changes but simply took credit for the targeting of the 1979-80 Canada Works program in the fall.15 There would be no major reviews until the Liberals returned to government in 1980. The challenge for the eighties was to justify job creation in the context of yet another period of mass unemployment. Part of the justification for restraint and unemployment in the seventies was that better times were ahead. The “better times” never materialized. In the face of yet more economic hardship, another debate would emerge over the role of short-term job creation in the early eighties.126

Conclusion

The Minister's presentation at the First Minister's Conference marked an important culmination of the changes that had been developing in job creation in the period since wage and price controls were first announced in 1975. It is impossible to separate developments in job creation from the political economy of the period. The abandonment of Keynesianism as an ideological justification for government intervention represented an important shift in the overall balance of class forces within the state in this period. In the context of rising unemployment, inflation, and slow economic growth, the principle that governed policy was the battle against inflation and the deficit.

At the same time, the 'survival' of job creation in the wake of this shift in the overall balance of class forces provides important insights related to the relationship between power and bureaucratic politics. The overall forces governing job creation policy were in many respects similar to the pattern in 1973-75. The immediate impact of the government's abandonment of Keynesian principles in macroeconomic politics on job creation policy was uneven. OFY was cancelled in 1975 but this program, together with LIP, re-emerged in the context of discussions for a new five year employment strategy in 1976.

Pal's concept of policy evolution is tempting in this context. The programs included in the 1977-78 Employment Strategy bore a close resemblance to the government's earlier package of job creation programs. The language of the programs was designed to appeal to economic policy-makers but criteria for Canada Works, in particular, merely reflected changes that had already been introduced in the 1973-74 program. The main change was the emphasis on established groups and organizations. Even this criteria had been debated over the last two years within the department.

There were other factors at work that bore the imprint of bureaucratic and institutional politics. The decision to link federal job creation programs with unemployment insurance reform provided the Minister of Manpower and Immigration with a source of funds that potentially did not involve additional requests to the general revenue purse which was controlled by the Department of Finance. The policy review in 1975 had already determined that the continuation of job creation policy in the restraint period would depend on the ability
of officials to ‘sell’ the program as economic policy and consider better coordination with other departments. There had been strong links between unemployment insurance and job creation since LIP was introduced in 1971. Now there was an opportunity to link concerns related to the work incentive in both programs.

While the developmental use of unemployment insurance for job creation purposes would not be implemented until the fall of 1978, the Minister’s promise to use ‘savings’ from unemployment insurance to fund job creation served as an important ideological justification for further development of the programs. The main changes in the program, however, were not made until the second round of the Employment Strategy. Most of the changes in the 1978-79 were justified as further private sector involvement. On closer examination, however, only the Employment Tax Credit involved direct involvement with the private sector. The ‘new,’ alternative methods of distributing Canada Works funds were little more than ‘old’ cost-shared infrastructure projects that provided the Minister with funds to make deals with his Cabinet colleagues.

While there were strong lines of continuity with previous programs, it is important not to lose sight of the broader shift in forces that characterized this period. The Minister of Manpower and Immigration was successful in fighting for more resources in 1977-78, but the total amount allocated to job creation at the height of the recession in 1978 was still less than had been allocated to job creation in 1972-73. The decision to further target the program in 1978-79 marked the culmination of changes that had been first proposed in the Finance Minister’s budget speech in May 1976.

The shift from projects in the para-public sector to building and construction and infrastructure projects also marked an important ideological shift in terms of what was now defined as ‘real work.’ As internal documents reveal, the impact of this change on the participation of women was significant. This revealed, in part, the view best expressed in the first report of the ICED that the increase in the unemployment rate of adult males was a more pressing ‘public concern.’ This was consistent with a broader view that ‘real work’ and ‘real unemployment’ was concentrated in the male-dominated occupations. This shift contradicted official department publications that pointed to the department’s mandate to
promote the employment of women.

This shift in the nature of the programs reflected more than bureaucratic politics and the lack of imagination of the individuals on the ICED who developed the new programs. The 'politics' of job creation under the employment strategy was shaped by the major shift to the right in the Liberal Cabinet. While at times the changes appeared to be more rhetorical than 'real,' the package of programs that were approved in principle in the 1979-80 Employment Strategy was evidence of how far removed the new job creation strategy was from the programs that were introduced in 1971-72.
Chapter Eight

Conclusion

The State as a Contested Terrain

Introduction

As an analytic project, this dissertation set out to achieve two broad objectives. The first was to examine the factors that influenced the introduction and development of job creation programs during the seventies. On an empirical level the dissertation expands on the literature dealing with short-term job creation policy in this period. The second objective was to address the debate over the state’s autonomy and the relative merits of state-centred versus society-centred explanations of social policy. The intent was to build on Poulantzas concept of a ‘contested terrain’ to develop an analysis of how broad class and social forces are mediated within the institutional form of the state.

This chapter is divided into two sections. The first section reviews the argument that is developed in the substantive chapters of this study. Building on the Poulantzas concept of the state as a ‘contested terrain’ and the need for conjunctural analysis, this part of the discussion argues that job creation policy was shaped by different forces in the period before and after 1973. The task of policy analysis is to understand how these forces were mediated within the institutional form of the state during these two periods. The second section of this chapter builds on this analysis to challenge the concept of state autonomy and the rigid distinction between state-centred and society-centred factors which defines this debate.
Making Work: Job Creation 1971-79

As an empirical study, this case study provides some important insights into how competing class and other social forces were mediated within the state during this period. In chapter two of the dissertation I proposed a framework for analysis that built on Poulantzas concept of the state as a 'contested terrain' and the need for conjunctural analysis. This analysis suggests that at each conjuncture it is the overall balance of class forces that determines the opportunities as well as the constraints that will affect state action. The study of policy-making needs to understand how this mediation takes place. This analysis allows for: the influence and constraints of the state's structure, the legacy of policy actions over time and the actions of policy actors. The emphasis is on understanding how the actions of the state both shape and are shaped by broad class and other social forces.

Another body of literature that informs the empirical part of the study is the work of Wolfe, Mahon and Esping-Anderson that points to the relationship between class forces, policy regimes and the institutional features of the state. The overall direction of the welfare state in Canada is shaped by the relatively weak role that organized labour has played in influencing the overall design of the Canadian welfare state. This literature, together with the discussion of the policy legacy of job creation policy outlined in chapter three, helps explain the residual nature of job creation policy in the seventies. In the period before and after W.W.II job creation was considered to be a policy of 'last resort.' This emphasis in the design of the programs reflected an overwhelming ideological bias against wider ranging strategies that would intervene directly in the labour market or compete with the private market. This policy legacy is consistent with the Esping-Anderson's typology of a liberal welfare regime.

While this literature helps us understand broad patterns of policy, we still need to look 'inside the state' to understand how the dynamic relations between bureaucracy, class and state unfolded during the 1970s. The introduction of an active labour market policy in the mid-sixties stressed the role of supply-side training and placement services. Job creation
was effectively 'tacked on' to manpower policy in the early seventies. The introduction of OFY and LIP in this period marked an important break with the tradition of cost-shared public works and infrastructure projects. The genesis for the design of the programs can be traced to the participation initiatives introduced under Pearson and Trudeau in the mid to late sixties. These programs were designed to mediate tensions related to rising unemployment and the demands of a number of new political constituencies demanding 'participation' in the design and delivery of social programs.

While the determinism in the early versions of the social control thesis remain problematic, the discussion of policy developments during the first two years of OFY and LIP confirms the description of forces outlined in the Loney and Huston accounts. It's clear that part of the motivation behind OFY, in particular, was the potential for unrest among youth. Ng's view of a compromise between the state and competing forces is compelling in this context. It also helps us understand the contradictory impact that funding had on groups representing the new social movements in this period. While access to funds provided groups with resources to develop 'new' and 'innovative' services, it is also true that the intent was to legitimize some types of activities and not others.

Still there was a certain duality to the programs during this period. While the social control thesis provides us with some insight it does not acknowledge that the programs were also a response to the actions of the new social movements and their critique of the bureaucratization of the services associated with the welfare state. While the state's actions in this area reflected the demands of the groups themselves, the fact remains that key actors inside the state were willing to challenge the established funding patterns to fund 'new and emerging' groups. The funding of social services was a direct challenge to established organizations and provincial jurisdiction. Far from being an 'unintended consequence' of state action, this reflected a conscious decision on behalf of key Cabinet Ministers to 'push' the limits of provincial jurisdiction.

It follows that there needs to be room in this analysis for acknowledging the role played by the institutional features of the state and the actions of key actors. In the early
period, both OFY and LIP bore the stamp of a group of young civil servants who were committed to forging new links between the state and groups representing the new social movements. In a period of policy innovation more generally, the legacy of the earlier participation initiatives and the special interest of the Prime Minister and key members of Cabinet, such as, Gérard Pelletier, there were factors ‘inside’ the state that were conducive to this new policy thrust. Providing funds directly to community groups was an important element in the design of the programs. This shift involved important ‘political risks’ given the resistance of the provinces and more established organizations and the potential for organized dissent in the program itself.

Poulantzas’ emphasis on the need for conjunctural analysis is important in this context. It is impossible to divorce these developments from the social and economic conditions of the period. In the context of an expanding economy, healthy federal revenues and the prospect of a federal election, there was both the means and ‘political will’ to respond to demands to address rising unemployment and other social tensions related to youth alienation and the emergence of new groups demanding change. During the first twelve months of the minority government there was also a shift in the overall balance of class forces in favour of labour. While job creation programs were not part of a broader social democratic labour market strategy, with the balance of power in favour of the NDP Liberal politicians were more willing to expand funding for programs that addressed unemployment.

We also need to allow for the fact that the state both shaped and was shaped by a new political constituency of LIP sponsors during this period. Within months the state was also having to deal with organized resistance from LIP sponsors who were willing to actively challenge the limits of the program’s design. It is significant that there is no mention of these tensions in the review of the literature in chapter two. This is consistent with the view of the state as “over and above” class forces that is shared in both the Loney and Huston accounts and the work of Pal. While the two sets of writers are coming from different theoretical frameworks, their emphasis on state action and policy ‘outputs’ precludes an analysis of the impact that these new political constituencies would have in shaping state action.
As the economic crisis unfolded in the period after 1973, the conditions that were conducive to this type of state action changed dramatically. The first evidence that the 'political space' or 'opportunity' for the LIP sponsors would be narrowed, however, was in the context of an expanding economy in the early months of 1973. The emphasis on the short-term aspects of LIP created the same type of tensions that the government had experienced with the MWWI. Pressures from the program's political constituencies made it difficult to reduce support for the program when employment improved.

In retrospect the decision to review the criteria for LIP was not surprising. A program that was ostensibly designed to deal with winter unemployment was now operating on a twelve month basis. The crisis and ad hoc nature of the program was criticized by sponsors, participants, the provinces and MPs. More important, however, decisions about the program were now governed by the political expediency of responding to LIP sponsors rather than a 'rationale' for labour market policy. The impact of the changes to the program in 1973-74 were designed to address these contradictions and minimize the potential for political pressures from LIP sponsors. The shift in the balance of power in favour of the provinces and Liberal MPs in this context reflected a more general concern on the part of the Minister and senior officials in the department that these political pressures needed to be minimized.

The 'politics' of job creation would change dramatically over the course of the next year and a half. These changes unfolded in the context of a deteriorating economy and a considerable rethink of the role of the state and the appropriate private and public mix of responsibility for dealing with unemployment. The shift to the right in the Liberal cabinet in November 1973 marked an important turning point in this regard. As the Liberals geared up for the next election, there was a further retrenchment of the liberal welfare ideology that Esping-Anderson identifies as characteristic of Anglo-Saxon countries. Changes to unemployment insurance, immigration policy and job creation were designed to increase the market incentives in the programs. The emphasis was on reducing the decommodification aspects of these programs. The debate over the work ethic and work incentives was part of
this overall shift in emphasis. These changes reflected an important shift in how competing class interests between labour and capital were mediated within the department and the federal bureaucracy more generally.

While it is tempting to view the results of the Interdepartmental Task Force on Direct Job Creation and the Minister's presentation to Cabinet as evidence of an 'independent' bureaucracy, it is important to situate the debate over the rationale for manpower policy in the context of the conflicting interests between capital and labour that the department was expected to mediate. By definition, manpower policy as a component of broader labour market policy, involves conflicting class interests. The shift in direction of policy reflected the impact of the shift in class forces as officials at Manpower and Immigration became increasingly concerned with the concerns of employers and business.

The factors that influenced this shift are discussed in more detail in chapter six, but its clear that the delicate balance that the Liberal Cabinet had tried to maintain in the wake of the minority election was about to shift. The emphasis on economic policy reflected a much broader ideological shift in terms of a further entrenchment of the market characteristics of the program. The dilemmas involved in this shift are explicitly outlined in the policy documents in this period. Almost all of the changes under consideration for unemployment insurance and job creation programs were designed to increase the market incentives in the program.

While this confirms the analysis of job creation put forward in both the Muszynski and McBride accounts, this review of policy during this period suggests that the debate over the state's role in ensuring high levels of employment predated the 1974-75 economic crisis. In this study I argue that the shift was in fact much earlier. By 1973 federal policy-makers were already arguing that 'full employment' was no longer realistic. As inflation and the energy crisis took over as the main policy priorities of the government in 1974-75 and Liberal Cabinet members were less concerned with the need to appease the NDP, there were fewer pressures to expand spending.

The immediate impact of the government's commitment to wage controls and
expenditure restraint in 1975 was uneven. The cancellation of OFY and the CYC proved to be a form of symbolic politics to 'prove' that the government was serious about restraint. The choice of these two programs represented an important ideological message: the government was 'serious' about eliminating the two programs most closely identified with the participation 'era' and the expansion of the state in the service sector.

Within months, however, OFY and LIP would re-emerge as a component of the 1977-78 Employment Strategy. In his announcement the Minister made it clear that the emphasis of the new program would be on 'real work.' While these developments confirm the analysis in the McBride and Muszynski accounts, the introduction of the Employment Strategy points to the importance of a political analysis of how forces are mediated 'inside' the state. On the surface, the announcement of the new programs appeared to be 'more of the same.' Pal's concept of policy evolution is tempting in this context. As I argue in chapter seven, however, this analysis misses the important shift in the design of the program and the impact it was expected to have on the LIP sponsor base. This was particularly evident in the impact the new programs would have on the participation of women in the program. If this represented a return to the job creation projects of the post-war period, it also revealed an important shift in the direction of the programs away from work in the para-public sector to areas where male workers was concentrated.

The links between unemployment insurance reform and job creation programs reflected an attempt to 'sell' job creation in a period of restraint. What is curious about the 'new' private sector initiatives in 1977-78, however, was the fact that, with the exception of the tax subsidy programs, almost all of the programs involved cost-shared projects with the provinces and other federal departments. In a period of restraint the Minister of Manpower and Immigration could use 'savings' from unemployment insurance to continue funding job creation programs. This meant that the Minister reigned over a fund that was not part of the general revenues controlled by the Department of Finance. This was an important institutional factor that helped maintain the program in what was otherwise a period of restraint.
It is impossible to divorce developments in the Employment Strategy from the political economy of the period and the tremendous shift in the overall balance of class forces. As internal policy documents reveal, the government was willing to tolerate higher levels of unemployment in its battle against inflation and the deficit. Job creation programs were a symbolic effort to 'sop up' the unemployed. It was clear, however, that the government understood that the allocations to job creation would not make a significant dent in the total number of unemployed. Part of the advantage of short-term job creation was the fact that programs such as Canada Works were politically visible at the local level. In the absence of a broader strategy to combat unemployment, short-term job creation was not a particularly effective way to deal with unemployment or the need for a new strategy to encourage economic development.

The factors influencing the direction of policy to more private sector initiatives bore a close resemblance to the discussion of the 'shelf of public works' in the immediate post-war period. The debate over the role of job creation was shaped again by an overwhelming bias against private sector intervention. In this context, the state's options were limited. Any large-scale public works program would compete with the demand for labour in the private sector. Yet, in the absence of a broader strategy and commitment to ensuring full employment, job creation retained its essential residual character.

The 1979-80 Employment Strategy was perhaps the best example of how far the programs had moved from the original design of the participation initiatives in the late sixties. Times had changed. There was no discussion of the broader social vision or 'meaningful work' that characterized the CYC or OFY. Nor was there any discussion of the need to encourage 'new' and 'innovative' programs. Most of this rhetoric had been abandoned in 1974. More striking, however, was the fact that in a period of rising unemployment the government's response was to introduce a more targeted program. In a pre-election period, unemployment should have been the issue that topped the government’s political agenda in 1978. Instead, job creation was still little more than symbolic politics. In the context of mass unemployment and a deteriorating economy, the government was willing
to tolerate higher levels of unemployment in its battle against inflation and the deficit. This shift in the political priorities of the government was about power and politics. We need a theoretical framework that provides us with the concepts to capture this dynamic.

**State, Class and Bureaucracy**

This discussion of the forces that shaped job creation in the seventies brings us back to the theoretical debate tackled in this dissertation. The proponents of state autonomy criticize political economy for its emphasis on class forces and failure to investigate the internal workings of the state. While there is some validity to this criticism, the argument in this paper points to the need to return to the questions that influenced the Neo-Marxist revival in the mid-sixties. Why and how does state action in capitalist societies tend to reinforce inequality? Poulantzas’ concept of a ‘contested terrain’ provides an important counterbalance to the view of the state as either ‘autonomous’ or a ‘level playing field.’

This does not preclude an analysis of the dynamics of the policy-making process itself. The challenge is to understand how state action both shapes and is shaped by broad social forces. The problem with the statist literature is its emphasis on the state as ‘over and above’ society. This tends to reinforce the neutral state thesis evident in the work of both Weber and the pluralists. It is not surprising, for example, that the new polity-centred analysis in Skocpol work examines the interrelationship between the state and non-class forces. The problem with this literature is the absence of any discussion of power and/or the broad class and social forces that shape patterns of policy and the institutional form of the state itself.

As this investigation of job creation policy suggests we need an analysis that helps us account for how and under what conditions state actions tend to reinforce the existing balance of class forces in society. It is important to avoid the determinism implicit in the early Neo-Marxist analyses and return to Poulantzas view of the state as a ‘contested terrain.’ Class power is rooted in material conditions, but we need an analysis that allows us to account for shifts in the relative power of labour and capital over time. We also need
to account for the role of other non-class forces. The emergence of the new social movements in the early seventies provide us with an important opportunity to examine how other, non-class constituencies were represented within the state.

The discussion of job creation policy also points to the need to look ‘inside the state’ to understand the dynamic relationship between state action and class power. As Mahon, Ng and Findlay point out, we need to look at particular policies and departments to better understand the broad patterns and legacies that shape state action. Findlay’s work is important in this context. The development of the Women’s Program, for example, followed a different trajectory in terms of the relationship between state action and groups representing the women’s movement. At the same time as the ‘political space’ was narrowing at the Department of Manpower and Immigration in 1973 and 1974, plans were underway to introduce a new program to negotiate new forms of representation for women’s groups at the Department of Secretary of State.

The results of this study point to three important areas that bear closer examination in this regard. The first relates to the need for a deeper gender analysis of the development of job creation programs and broader manpower policy during this period. While this dissertation deals with the role of the new social movements and the actions of LIP sponsors, in particular, it is clear from the discussion of the changing rationale for manpower policy in chapter six and the shift in the direction of the employment strategy in chapter seven that job creation policy after 1973 involved a considerable narrowing of the participation of women in the programs. This, in part, reflected the view that high unemployment rates reflected the labour market behaviour of women. We need to investigate these developments in the context of the federal government’s more public emphasis on women as one of the ‘target groups’ for employment policy in this period.

A second, but related theme that bears closer examination is the political influence of native organizations and their impact on the design and direction of the program over the ten year period. In the early seventies, OFY and LIP were two of the first programs to provide funds directly to Indian bands. This was a direct challenge to the Department of
Indian and Northern Affairs. This resulted in an organized political constituency that was still wielding considerable influence in the program in the 1978-79 period. Further investigation of the relationship between the department and native organizations may reveal a different course of state/community relationship than the more general experience of LIP sponsors under the Employment Strategy.

The third focus for future research would be to follow the course of job creation in the period after 1980. The Liberals were returned to power in the spring of 1980 after only a short period of Conservative rule. The last round of policy review under the Liberals recommended a considerable diminution in the role of job creation as a strategy to deal with unemployment. The programs would be more targeted to regions of high unemployment and there would be a stronger reliance on the developmental use of unemployment insurance funds. One of the first major policy reviews that the Liberals commissioned when they returned to government in the early eighties supported this direction. In the wake of the recession in 1981-82, however, the Liberals introduced another round of job creation programs under new labels. Were these programs 'more of the same' or a response to a new group of political forces? While this question bears further investigation, the argument developed in this paper suggests that we will need to examine how political pressures to deal with the 1981-82 recession were mediated within the state.

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APPENDIX A

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Table 1  Average Unemployment Rates
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Table 4  Federal Expenditures on Job Creation
Table 1  Average Unemployment Rates

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<td>5.5</td>
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### Table 2  Unemployment Rate: By Sexes, Age Groups and National

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<td>11.2</td>
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### Table 3  % of Labour Force for Selected Age/Sex Groups

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<tr>
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<th>Youth</th>
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<th>Adult Men</th>
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<td>1970</td>
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<td>22.4</td>
<td>52.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1975</td>
<td>27.2</td>
<td>24.6</td>
<td>48.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1980</td>
<td>26.4</td>
<td>27.7</td>
<td>45.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4  Federal Expenditures on Job Creation

<table>
<thead>
<tr>
<th>Year*</th>
<th>Expenditures</th>
<th>Constant $**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>205.9</td>
<td>205.9</td>
</tr>
<tr>
<td>1972-73</td>
<td>223.5</td>
<td>210.3</td>
</tr>
<tr>
<td>1973-74</td>
<td>111.2</td>
<td>95.8</td>
</tr>
<tr>
<td>1974-75</td>
<td>120.3</td>
<td>93.5</td>
</tr>
<tr>
<td>1975-76</td>
<td>176.1</td>
<td>125.5</td>
</tr>
<tr>
<td>1976-77</td>
<td>200.1</td>
<td>132.3</td>
</tr>
<tr>
<td>1977-78</td>
<td>282.6</td>
<td>172.2</td>
</tr>
<tr>
<td>1978-79</td>
<td>356.8</td>
<td>199.2</td>
</tr>
<tr>
<td>1979-80</td>
<td>382.4</td>
<td>194.4</td>
</tr>
<tr>
<td>1980-81</td>
<td>356.4</td>
<td>163.1</td>
</tr>
<tr>
<td>1981-82</td>
<td>277.0</td>
<td>114.0</td>
</tr>
</tbody>
</table>

* Years in which job creation received emphasis or was a major theme are underlined.
** Based on the consumer price index with 1971-72 = 100. Inflation for 1983-84 and 1984-85 assumed to be 5%.

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