

Minister
of Human Resources
Development



Ministre
du Développement
des ressources humaines

CANADA

Notes for an address by

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Canadian Federalism An Exercise in Change, Growth and Fulfilment

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Thank you,

When I was invited to speak to you today, I was still the Minister of International Co-operation. I thought then that rather than talk to you about foreign aid, I would talk principally about national unity.

After all, national unity is why I joined the government and ran for Parliament in January. Canadians do not want to let the country separate and slide into insignificance. We would all lose too much.

This is why our government has taken a direction towards changes in Canadian federalism, changes that many Canadians are seeking and most Quebecers are seeking. Quebec is not a monolithic society. Despite the Bloc Québécois's pretentious name, it does not speak for all Quebecers when it advocates Quebec's independence. Poll after poll shows that what a large majority of Quebecers, including a majority of francophones, wants is to remain within Canada. Obviously they want to do so with a feeling of dignity, a sense that Canada acknowledges Quebec's needs and circumstances.

And Quebec truly does have a particular role to play within Canada, because it is where the French language and culture are centered. That is why it was so heartening last month to see the members of my party, from all across Canada, vote to recognize Quebec's particular differences as we work to modernize the country.

Now Prime Minister Chrétien has given me the honour of heading the Department of Human Resources Development. It is really the people department, the department of the young, of seniors, of the unemployed and Canadians with disabilities, the fragile members of our communities. Our social union reflects and shapes principles and values that are at the heart of what defines Canada. So today, I also want to talk about our social and economic union. Economic development is fueled by Canadians with the skills and knowledge required to meet the demands of a dynamic economy. But economic growth does not occur in a vacuum, it is a human activity requiring a stable society built of social cohesion.

In my mind the social union and the economic union are inextricably linked, and they are at the core of national unity. This is one of the main messages I want to leave you with today.

I think it is because of our unique approach to the social and economic union that for three of the past four years, the United Nations human development index has rated Canada the best country in the world to live in. Indexes are rather arbitrary statistical constructs, of course, but the UN is pointing to a basic truth: other countries may be richer or stronger, but there is no better country than Canada. We must never forget that.

When I was responsible for CIDA I was reminded almost every day that out there in the rest of the world, they admire us, they envy us and they count on us. We have an extraordinary international personality, a magnificent Canadian personality.

That has not happened by accident. We have made one another what we are. I know, as a francophone Quebecer, that Quebecers have been shaped by living in a large country like Canada, and we have gained greatly from living and sharing with our neighbours. I also know that without the protecting strength of Canada, the French language and culture would have been much harder pressed to survive, let alone flourish, in the English-speaking sea of North America.

In particular, through the years Ontario has been a steadfast friend and partner to Quebec, politically and economically and in many other ways. We know that Ontario has played a unique role in Confederation, and it has often willingly borne great burdens for the benefit of other Canadians. If I were to forget that, believe me, the 96 Liberal MPs from Ontario, and particularly the 22 from Metro Toronto, would remind me!

But Quebecers have shaped other Canadians, too, because the rest of Canada has had the opportunity to live with diversity, with another official language and with the French culture. As Canadians, we have only to venture south of the border to realize how much the French fact and Quebec have contributed to our Canadian identity. It is not just that we have two official languages. It is that having the French language, culture and history alongside the English, and many other cultures, has given Canada a particular kind of cultural depth and a more positive attitude toward diversity of any kind.

Each generation has to reinvent Canada to meet the needs of each new age. But we shall never - must never - be a country where everyone must be the same, forced into some one-size-fits-all mould. One size never fits all; in fact, it rarely fits anyone well.

This year, as I have travelled across the country, I have seen first-hand that there are many, many ways to be a Canadian. There are certainly many Ontario ways of being Canadian - Toronto ways, Kingston ways, Georgian Bay ways. But Quebecers and Newfoundlanders and British Columbians are all Canadian in their own ways, too. Think of B.C., with its special West-Coast culture and its dynamic opening to the Asia-Pacific.

Not to mention its refusal to take a back seat to anyone! The last time I was there I said to them, "Gosh, It's great to be here in the other enfant terrible of Confederation."

So it is the sum of all our differences in Canada that has made us what we are. That is why we are a federation, and not a unitary state.

Too many disputes are based on the assumption that federalism is somehow a zero-sum game: that when provinces win, Ottawa loses, or when Ottawa wins, provinces lose. That assumption is dead wrong. Federalism is a win-win game, and the ultimate winners are - must be - the people of Canada. It is our federation that preserves our social and economic union. It provides institutions that can arbitrate among the partners to make sure that we are all treated equitably, and it gives us the framework for co-operation and co-ordination.

It is because we have come together in our federation, which is so much greater than the sum of its parts, that we have such a uniquely privileged place in the world. We are a member of the G-7, the most powerful economic council on Earth. We are a senior member of both the Commonwealth and the Francophonie. Through NATO and the Organization for Security and Cooperation in Europe, we have special links to Europe. We are an increasingly important player in the Asia-Pacific. We are the most important trade partner of the United States and now, through NAFTA, we have a special entrée into Latin America. At the United Nations, we have been members of the Security Council more often than any other western country except the permanent members.

And as the only G-7 country that has no imperialist legacy and no colonialist ambitions, we are a recognized bridge between the G-7 countries and the developing world.

Some question the fulfilment of Sir Wilfrid Laurier's prediction that the 20th century would belong to Canada. But in a very real sense he was right. Now we have to ensure that Canada will remain the best country as we move into the 21st century. And I believe we must focus again on the social and economic union. We have spent years focusing on the political union, and it is important, but there is far more than that to a country.

Let me go back to the UN index of human development. What is it telling us? Fundamentally, that Canada is the country where economic and social wealth is best shared among the population. The heart of our national enterprise has been to combine democracy and the free market system with an abiding concern for our fellow-citizens' security and fulfilment. We understand that the society we have built and want to keep building rests on those three pillars: a democratic state, a free market, and a strong and healthy community.

Our social and economic union is going through wrenching change, largely because of the immense forces that are transforming the world economy. When I was in the private sector, globalization was one of my main areas of focus. Like you, I know about the challenges we face. In ten years, I lived through three mergers - three! Each time it happens you are scared, really scared, for your job. And that is how it feels not just in glass office towers, but in fish plants and factories and workplaces all over Canada, as workers face ruptures with their past.

Globalization is bringing major costs and unintended consequences. New technology and trade liberalization agreements are eroding governments' ability to act to counter world economic forces. Producers now feel it is safe to do business almost anywhere in the world. So when they make investment decisions, they look far more at countries' absolute advantages than at the comparative advantages that have been the basis of our free-trade theories. Globally, the gap between rich and poor is growing, because capital is scarce on a world scale and there is a huge world supply of labour. So we see rising unemployment and social inequality, we see growing indebtedness and pressures on all sorts of community institutions, from health care to income security.

Globalization does create many possibilities. But globalization can also be harsh; it rejects those who do not manage to join international networks. Large regional populations and even whole countries can be marginalized. The South African Minister of Industry and Communications reminded me recently that half of the citizens of the world have never used a phone.

But we cannot resist the challenges of globalization. We can only meet them and overcome them. And we must also be aware of the great opportunities that the new economy is bringing to us, and of the strengths we have. We have unique international links, a highly educated population and advanced skills. And as the new economy grows, it actually offers new hope to some parts of Canada, because it brings what The Economist magazine has called, 'the death of distance'. When skilled workforces are plugged into international networks, opportunities can blossom for regions that lay on the forgotten periphery of the old industrial world.

So Canada can prosper in the new economy. And we in the federal government have been working to create the necessary conditions for that prosperity. We have worked hard to get Canada's public finances in order. Yes, some decisions were difficult, but they were necessary. Today, my colleague Paul Martin is meeting his deficit-reduction target, and is determined to stay the course. Inflation and interest rates are lower than they have been in 38 years and our trade surplus was a record \$4.02 billion in August. We are better placed now than we have been for years to tackle the persistent problem of unemployment.

So now I am going to put on my hat as the Minister for the social union. While staying on our fiscal track, it is important to not lose sight of Canadians' human needs. I believe that not only must we get our economic fundamentals right, we must also continue to invest in human capital.

Our social union, which we have built together, has ensured that Canadians have equitable access to reasonably comparable programs and services wherever they live. Even if it were morally acceptable, which it is not, we could not afford the economic damage that would be done if we fragmented into 10 different social systems. The social union has also ensured that citizens can move freely within Canada without unreasonable barriers to social services. As we re-engineer for the future, both levels of government have crucial roles in this complex, interdependent system.

We are entering a new phase of strengthening the social union by modernizing the social safety net, and by clarifying the roles and responsibilities of the two orders of government. I am the federal co-chair of a new forum that the First Ministers set up last June to examine ways to strengthen the social union. I hope we will be making significant progress on some priority issues in the next few weeks.

Children and persons with disabilities are two of the most vulnerable groups who would benefit greatly from better support from governments and from society as a whole. All governments in Canada agree on the need to act - and with good reason. Poverty is unacceptably high among people with disabilities. The challenge for all of us is to provide them with the means to become more independent and to participate more fully in the labour market and in society. The fact that one in five Canadian children is raised in a low-income family hurts both the child and society. Last June the Prime Minister and other first ministers spoke of responding to the needs of Canadian children. We need to redesign our income support systems to help poor families.

The social union is not about budgets or programs or governments. It is about Canadians. What matters is people; they are the only priority. Canadians need and deserve social programs that work. Both orders of government have roles and responsibilities here and our social union discussions will help to clarify them. The key is to get governments to work together in complementary ways to produce the best results for Canadians.

All our governments are legitimate; we all are elected by the same Canadians, and Canadians speak directly to both levels of government.

That is why each level of government must have direct contact, direct links back to the citizens who elected them. We all are, and must be seen to be, responsible to our electors. But each level of government must also respect the other's legitimacy.

For my part, while I strongly believe that the federal government has important roles, I believe equally strongly that we must act with full respect for the provinces. And together, we must work in the name of all Canadians. We in government may have much to learn from you in business, who habitually build co-operative coalitions and networks.

On the federal side, there are clear responsibilities; we should act on them, and act well. For instance, the national government has a clear redistribution role that gives a base of income support to disadvantaged people wherever they live. The new Seniors Benefit comes to mind. It will ensure that elderly Canadians who need support will continue to receive it; and the Child Tax Benefit redistributes more than \$5 billion a year to families with children. This base of "national benefits" is the foundation upon which the provinces build additional supports that are more responsive to regional circumstances and individual needs. It will be a great accomplishment if we can better integrate the federal and provincial components for income support. I am committed to do that.

Let me provide another example: the labour market agreements we are negotiating with provincial governments. This is an opportunity to show that Canada can work better by improving the services governments provide unemployed Canadians. Canada has a diverse and differentiated labour market that has to be responsive to both changing local conditions and to global economic forces.

Employers and employees have the first responsibility here, but both orders of government also have a role in labour market development. By 1999, we are prepared to transfer all labour market training to the provinces that wish it.

Out of the Employment Insurance program, we have offered provinces the opportunity to manage some \$2 billion of active employment assistance measures. Particularly because of their jurisdiction over matters of education, provinces will have the opportunity to take over this important responsibility. These active measures would ensure access by all Canadians to a range of tools that will help them get back into the workforce quicker and with more durable skills. I am pleased to be able to tell you that we are making real progress on establishing new partnerships with provinces in this area.

The Government of Canada will continue to exercise its jurisdiction in delivering Employment Insurance benefits, maintaining its service delivery network and the national labour market information and exchange system.

The first thing Canadians expect of their governments now is obviously that we act quickly to get employment growing again. You know as well as I do that the days are long gone when we could or should look to government actually to create all the jobs itself. But government has important roles in creating the right conditions for employment, roles the private sector cannot play. It is government's job, if you like, to build the human infrastructure on which the new economy rests. It is also government's role to leverage durable employment opportunities for individuals and regions that face undue obstacles in their quest to enter the new economy.

We need to build new solidarity among Canadians. And where there is potential for distrust, whether between regions, languages or communities, we must replace it with confidence in our ability to meet challenges and seize new opportunities together. Confidence is the key to development and therefore the key to our future.

And this is a global phenomenon. I was struck to realize last year that two thinkers, one French and one American, had independently reached that conclusion. In totally separate essays on economic development, Alain Peyrefitte of France and Francis Fukuyama of the United States both argued that mental attitudes and behaviour are the main factor in development or under-development. Not natural resources, not climate or capital, but confidence.

Fukuyama believes that the societies that adapt best to globalization are those characterized by the highest degree of trust. Trust is what enables us to form groups outside the bounds of the family, and so to build great social and economic enterprises. Fukuyama argues both against over-centralized government and for social capital. Indeed, his closing line is, "now that the question of ideology and institutions has been settled, the preservation and accumulation of social capital will occupy centre stage."

Alain Peyrefitte goes even further and links prosperity to a collective mind set that favours the entrepreneurial spirit. He says this attitude is at the root of what he calls a "state of competitive confidence." That confidence is characterized by individuals' will to escape from the control of traditional authority, by the importance placed on the autonomy of economic activity and by innovation in projects that transform their world.

The French word Peyrefitte uses is *confiance*. It is a wonderful word because it actually means two things: it means confidence, of course, but it also means trust.

And as Fukuyama's work suggests, the first ingredient of confidence is trust - trust in yourself, in your neighbours and in your society. Our social and economic union must build the national confidence that begins with trust.

Here in Toronto you know what that means. The people of Toronto have had the confidence - *la confiance* - to build a city that is internationally known as one of the best in the world. That was confirmed again recently, when Fortune magazine found that this was the best city outside the United States for business people to live in. Why? Because Toronto has managed to become a major international business centre, one with a tremendous head start in the new economy, while remaining a profoundly human city - a safe city, a beautiful one, with great universities and museums and sports teams, and a city that still cares about its people in all their wonderful diversity.

That is what Canada is all about. It is not a question of choosing between economics and people - it is a question of uniting them, to build a better, stronger society. We can do it and we must do it.

Last year a French public figure, Alain Mine, speaking about the challenges of integration that the European Union faces, told us what he saw when he looked at Canadian federalism. He said, "*Le Canada, c'est notre rêve.*" Canada is our dream. We are the fortunate possessors of that dream. And if we join together in trust and confidence - *dans la confiance* - we will build a prosperous, united country that all of its people, from sea to sea to sea, will be very proud to belong to as we move into the 21st century.