Federalism, Nationalism, and Social Policy Decentralisation in Canada and Belgium

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ABSTRACT *This article looks at the relationship between federalism, sub-state nationalism, and social policy in Canada and Belgium up to the early 2000s. It argues that nationalism represents a powerful force for the decentralisation of social policy since it seeks to make the national community congruent with the community of redistribution. Nationalist mobilisation over social policy is occurring in both Québec and Flanders, although there are ideological and programmatic differences between the two nationalist movements. The article also shows how the consequences of these patterns of mobilisation are conditioned by the institutional context. In Canada, the competitive nature of federal/provincial relations and the statist nature of social programmes (i.e. absence of 'social partners' other than the state involved in their management) explain why there has been decentralisation of social policy towards Québec whereas consensual decision-making and Bismarckian social insurance arrangements have created strong institutional obstacles to comprehensive social policy decentralization in Belgium.*

Introduction

As a form of territorial organisation for politics, federalism often involves conflicts about which level of government can design and implement policy in specific areas. Such conflicts are particularly prominent in multinational federal systems, that is, federal systems where a significant number of citizens identify with a nation distinct from the one projected by the central state. Social policy is particularly likely to become the focus of political and jurisdictional battles in the context of multinational federalism because it represents a potent tool for constructing and consolidating national identities. Sub-state nationalism seeking the decentralisation of social programmes puts pressure on the structures underpinning the territorial implementation of social policy as well as the broader federal system. However, the result of these pressures may not always be transformations in the territorial configuration of the welfare state[1] since institutional factors stemming from the structure of federalism and social policy arrangements heavily condition the likelihood and extent of decentralisation.[2]

This article looks at the relationship between sub-state nationalism and social policy in Canada and Belgium up to the early 2000s.[3] It argues that nationalism represents a powerful force for the decentralisation of social policy because it seeks to make the national community congruent with the community of economic solidarity. Although there are ideological and programmatic differences between the two movements, nationalist mobilisation over social policy is occurring in both Québec and Flanders. The article also shows how the consequences of these patterns of mobilisation are conditioned by the institutional context. In Canada, the competitive nature of federal/provincial relations and the statist nature of social programmes (i.e. absence of 'social partners' other than the state involved in their management) explain why there has been decentralisation of social policy towards Québec whereas consensual decision-making and Bismarckian social insurance arrangements have created strong institutional obstacles to comprehensive social policy decentralization in Belgium. The article is divided into three sections. The first section explains the nature and evolution of Canadian and Belgian political institutions and social policy arrangements. This discussion is important because these structures condition the timing and pattern of nationalist pressures for social policy decentralisation as well as their outcome. The second section shows how Québécois and Flemish nationalism both seek to decentralise social policy, albeit following different patterns. The third section highlights the impact of the institutional environments with respect to the distinctive effects of nationalist pressures on the territorial structuring of welfare arrangements: fluidity and change in Canada and relative inertia in Belgium.

Diversity, State Institutions and Social Policy Development

Linguistic and cultural diversity has been an essential feature of the territories of present-day Canada since the 1759 Conquest of New France by Great Britain paved the way for the settlement of English-speaking Protestants alongside the French-speaking Catholic population. When the notion of uniting the remaining British colonies in North America into an independent country was first discussed in the 1860s, French-speakers in Québec lobbied in favour of a decentralised federal system. Federalism would ensure that Francophones remain a majority in 'their' autonomous province. Meanwhile, the English-speaking political elite favoured a unitary state. In the end, Canada was created in 1867 as a relatively centralised federation. The Constitution attributed powers over matters then perceived as most crucial (i.e. banking, currency, national defence, transportation, trade and commerce) to the federal government rather than to the provinces. The federal government also received power 'to make laws for the peace,

order and good government of Canada', with the exception of domains explicitly under provincial jurisdiction. This constitutional arrangement meant that provinces were competent over matters, such as education, health care, municipal institutions, and social welfare, which were then considered of limited importance.

The enduring influence of nationalism in Québec has translated into contentious relationships between the federal and Québec governments that make national unity problematic. On the one hand, the federal government sets its own policy agenda and attempts to force the provinces to follow its course of action (Banting, 1995; McEwen, 2001). On the other hand, Québec governments resist the centralising and nation-building efforts of Ottawa (Béland and Lecours, 2005a).

The nationalist struggles surrounding post-war welfare state expansion in Canada provide grounds for this claim. Compared to European countries such as Belgium, Germany, France, Sweden and the United Kingdom, the advent of modern social programmes came late to Canada. By the mid-1930s, as a response to the Great Depression, the federal government attempted to create an unemployment insurance programme. Yet, in 1937, two years after the enactment of the centralising Employment and Social Insurance Act, the Supreme Court of Canada and the British Privy Council struck it down arguing that, according to the 1867 Constitution (the British North America Act), only the provinces could operate a social insurance programme. Finally, by 1940, all Canadian provinces (including Québec) were supporting the constitutional amendment necessary to pass new federal legislation on unemployment insurance. Surviving judicial review, this 1940 legislation created the first federal social insurance programme in Canada. For that reason, unemployment insurance, which featured forms of inter-regional redistribution, represented the beginning of a process of centralisation and nation-building that gained further strength during and immediately after the Second World War. Published in 1943, the Marsh Report promoted policy centralisation in the name of a Keynesian creed that would soon dominate Canada's political economy (Marsh, 1943). A year later, the expansion of the federal welfare state took the form of the controversial Family Allowance Act, a measure that instituted a federal programme that would distribute benefits to 'all children up to the age of sixteen, provided they were attending school or unable to do so on medical grounds, on a graduated scale depending upon the ages and numbers of children.' (Guest, 1980: 130)[4] With unemployment insurance, family allowances represented the most spectacular expansion of the federal government in the field of social policy. And, because general tax revenues entirely financed this new federal programme, no constitutional amendment or formal bargaining with the provinces was necessary to implement it.

Québec's nationalist elite opposed these developments. The *Union Nationale,* elected in 1944, voiced concern about the expansion of the federal welfare state perceived as part of a centralising and nation-building process spearheaded by federal government. For French-Canadian nationalists, welfare state centralisation constituted a major threat to the institutional autonomy of Québec and, consequently, to the survival of the French culture and language. Besides traditional arguments about federalism and provincial autonomy, French Canadian nationalists underlined that federal family allowances unfairly penalised large families, which were overly represented in the predominantly Catholic and high fertility province. As a reaction against the Family Allowance Act, the provincial legislature adopted its own family allowance bill, which stated 'that it is preferable to establish a family allowance system with the cooperation of federal authorities and without violating provincial constitutional rights.'[5] A mere political statement regarding provincial autonomy, this vague legislation contained little in terms of concrete social benefits. Overall, Quebeckers benefited from the new federal programme, and one

can argue that federal checks made them feel closer to a previously remote federal government. Recognised as constitutional, this programme represented a popular form of social policy centralisation that the nationalistic rhetoric in favour of provincial autonomy could hardly undermine (Marshall, 1994). Beyond this episode, nationalist opposition from *Union Nationale* governments (1944-1959) did not prevent the federal government from increasing its role in the social policy domain during the post-war era.

Yet, the nationalist struggle against social policy centralisation produced a few victories for the province. In 1951, for example, the House of Commons enacted the *Old Age Security Act*. However, constitutional constraints required the federal government to accommodate Québec's request for the explicit recognition of provincial autonomy in the area of old age pension. In the end, the federal government and the ten provinces agreed on the following wording: 'It is hereby declared that the Parliament of Canada may from time to time make laws in relation to old age pensions in Canada, but no law made by the Parliament of Canada in relation to old age pensions shall affect the operation of any law present or future, of a provincial legislature in relation to old age pensions.' (Human Resources and Development Canada, 2002) This text represented an implicit victory for the Québec government as it recognised that the province could, at any time, launch its own public pension programme. As shown later in this article, this is exactly what would happen in the mid-1960s.

The structure of the early Belgian state and, later, of its social policy arrangements was markedly different from Canada. After its creation in 1830, Belgium emerged as a centralised unitary state in which the French-speaking bourgeoisie dominated economic and political life. This situation eventually created resentment among segments of the Dutch-speaking population. The emergence of the Flemish Movement in the mid- to late-nineteenth century should be understood as a reaction to the centralising nation-building project of the French-speaking elite. The early Flemish Movement sought to make Belgium a truly bilingual and bicultural state. By the turn of the century, facing the refusal of the French-speaking elite to accept the idea of bilingualism, the Flemish Movement had evolved from a movement seeking to restructure the Belgian state to one expressing a distinct Flemish identity.

Yet, religious and class-based cleavages (rather than linguistic ones) were at the centre of nineteenth century Belgian society. In the aftermath of independence, tensions between clericalism and anti-clericalism led to a crystallisation of political and social life around Liberal and Catholic pillars. These pillars comprised autonomous educational and social policy institutions. In the late-nineteenth century, the industrial revolution led to the creation of the *Parti ouvrier belge* and the emergence of a Socialist pillar that existed alongside the Liberal and the Catholic ones. Considering this gradual 'pillarisation' process alongside the above-mentioned linguistic and cultural divide between Flemings and French-speakers, one can conclude that Belgium entered the twentieth century as a fragmented country witnessing an increasingly wide gap between concrete social institutions and the Jacobin nature of the Belgian state.

Before the first decades of the twentieth century, a fragmented network of social insurance schemes emerged in Belgium. This fragmentation reflected in part the pillarisation of Belgian society, which probably slowed down social policy development. In fact, public pensions and family allowances constituted the only two policy areas where social insurance triumphed before the Second World War. By 1940, the Belgian social policy system remained a fragmented order where employers, labour unions, mutualities, and other voluntary organisations played the most essential roles (Vanthemsche, 1994). After the liberation of Belgium from Nazi occupation, efforts to unify the social insurance system failed, and the reforms enacted in the second half of the 1940s represented nothing more than an extension and a rationalisation of the pre-war

fragmented insurance schemes that had emerged during the first decades of the twentieth century (ibid.). 'Social partners' (i.e. labour unions and business interests) have since played a significant role in the governance of that social insurance system.

The resilience of this fragmented social policy structure stands in contrast with the extensive process of federalisation of the state that began in 1970.[6] The immediate trigger for this process was the tension generated by the Flemish Movement upon the traditional parties, which gradually split along linguistic lines. The leaders of the two linguistic groups had different visions of the type of decentralised system they wanted or, at least, were willing to accept. Flemish leaders favoured a dualist system where regional governments would represent the two main language communities. This position reflected the traditional concern of the Flemish Movement for the protection and promotion of the Dutch language and the Flemish culture. On the Francophone side, the preoccupation was to provide autonomy to Wallonia for the purpose of removing decision-making authority on economic development from the hands of both Flemings and Francophone Brusselers. In this context, Walloon leaders favoured a tripartite model featuring Flanders, Wallonia, and Brussels.[7] The result was a compromise as Belgian federalism features two types of federated units, Communities and Regions. There are three linguistic Communities (Flemish, French and German-speaking) that have power over 'personal matters' *(matières personnalisables)*, that is, policy areas such as education, health services, and social work where the delivery of services involves person-to-person contact. There are also three Regions (Wallonia, Flanders and Brussels) that have power over issues of a more territorial nature such as economic development and transportation. As we will see in the next section, the centrifugal dynamic of Belgian federalism would place tremendous pressure on the centralised social insurance system in the 1980s.

Nationalist Mobilisation and Social Policy

As we discussed earlier, Canada's federal system was not created for managing the disengagement of communities. Nonetheless, it came under pressure in the 1960s as major transformations occurred in Québec, also affecting the nationalist movement. Before that decade, Catholic French-Canadians living across Canada represented the community of reference for nationalist leaders in Québec. With the Quiet Revolution, religion took a back seat in the nationalist discourse, which became increasingly focused on language issues, and the connection between the province of Québec and French-speakers living elsewhere in Canada began to weaken. This transition from French-Canadian to *Québécois* nationalism also involved a shift from anti-statism to statism that changed the nationalist movement's relationship with the welfare state. Instead of simply opposing centralising welfare state development, provincial politicians from Québec attempted to build state institutions to foster economic development and strengthen the connection between Quebeckers and their provincial government (Béland and Lecours, 2005a). Breaking from the religious conservatism and market liberalism associated with French-Canadian nationalism, the *Quiet Revolution* constituted an ambitious state- and nation-building project that clashed with the federal government's expansionist agenda. The Québec government, just like its federal counterpart, found that social policy represented an effective nation-building tool. As Premier Robert Bourassa once stated: 'Income security is far from being merely a means of redistributing wealth; it touches the very fibre of a culture.' (quoted in Banting, 1987: 130)

During the 1960s, Québec governments sought the decentralisation of many social programmes. They were successful in many instances (hospital insurance, social assistance and vocational training), but in others (for example, unemployment insurance) the federal government

resisted. For Québec governments, the ability to craft and implement social policy meant the opportunity to connect with Quebeckers in meaningful ways by providing such crucial services as health care. Symbolism was also important insofar as seeking the decentralisation of social policy was perfectly coherent with the central claim of Québec's new nationalism that the province should have a special status within Canada because it bore the unique responsibility of overseeing a Francophone majority.

During the 1970s, the rise of the secessionist *Parti Québécois* (PQ) reinforced the connection between social policy and Quebec's nation-building project. The PQ advocated outright independence and developed an explicitly social democratic platform that helped to create strong ties with Québec's powerful labour and feminist movements. For the PQ as well as for these movements, only independence could pave the way to genuine social democracy. In such a context, the full control by the Québec government of social and economic policy was considered the only way effectively to emancipate Francophones whose socio-economic status had been rendered difficult by a century of religious conservatism. After the PQ took power in 1976, the implementation of measures such as making the province's minimum wage the highest in North America reinforced the relationship between progressive social policies and nationalist mobilisation in favour of independence.

In the context of Canadian federalism, however, social policy was a political and ideological weapon that both levels of government could use in the struggle for 'national unity'. Indeed, during the first sovereignty referendum campaign in 1980, federalists argued that independence would jeopardise Quebeckers' access to social benefits, most importantly old age pensions. This argument points to the strength of the federal welfare state, which many Quebeckers had come to value and feared losing despite the PQ's suggestion that a more generous and progressive welfare state would emerge in the advent of a 'yes' vote. Yet, it is hard to gauge the exact weight of the federalist arguments that sovereignty would undermine social benefits and impoverish Québec for explaining the defeat of the 'yes' side, which gathered 40% of the vote.

After the 1980 referendum, the gradual shift toward neo-liberalism and fiscal austerity witnessed in Canada as in other advanced industrial countries impacted both Québécois nationalism and the politics of federal social policy. The imperative of fiscal austerity and, later, the explicit alliance between Québécois nationalists and the federal Conservative Party in power between 1984 and 1993, weakened the traditional ties between the PQ and progressive social policy. In 1985, the election of a *Parti Libéral du Québec* (PLQ) government in the province further accentuated the neo-liberal shift in Québec politics and nationalist discourse. The politics of austerity exacerbated conflicts between the federal government and the provinces. During Ottawa's Conservative era, however, retrenchment efforts at the federal levels remained relatively modest, and constitutional politics dominated the Canadian political landscape. Because Québec had not signed the 1982 Constitution, efforts were made to secure its formal support for the document through two highly divisive and ultimately unsuccessful rounds of constitutional bargaining involving the federal government and the provinces. After this bitter episode in Canadian politics, the push for independence regained much strength in Québec. Simultaneously, the election of the Liberal government at the federal level in 1993 marked the beginning of an intense wave of neo-liberal cutbacks in social programmes and fiscal transfers to the provinces. Yet, the PQ focused its 1995 sovereignty referendum campaign on the idea that the rest of Canada had rejected Québec during recent constitutional discussions, rather than on social policy issues.

After the referendum defeat, Québec's PQ government sought to create new social programmes in the name of distinct (and progressive) 'national values.' This renewed connection between Québcois nationalism and progressive social policy began with the PQ government of Lucien Bouchard (1996-2001), which at first alienated the party's traditional left-wing allies (labour unions, feminist groups and community organisations) with policies of fiscal austerity. At the same time, however, it created programmes such as $5 per-day childcare (now 7$ per-day) and universal drug insurance that restored the party's progressive credentials while showing that Québec could do things differently from the federal government and the nine other provinces. These programmes have become crucial symbols of Québec's national identity: they are considered to embody the distinctiveness of Quebeckers, who are said to be more egalitarian, collectivist, and generous than other Canadians (Béland and Lecours, 2005a).

In Belgium, the connection between sub-state nationalism and social policy developed later than in Canada. The structural background for the development of Flemish claims for the 'federalisation' of Social Security (i.e. social insurance) was the growth of Flanders' economy in relation to Wallonia. For over a century, Wallonia had been the economic motor of the country as a consequence of steel and coal industries resulting from precocious industrialisation. Flanders, for its part, remained more rural and less prosperous. By the 1950s, the situation was changing to the point where, somewhere between 1965 and 1970, Flanders caught up with, and overtook, Wallonia economically according to virtually all indicators (McRae, 1986: 77-89). A consequence of this structural change was the politicisation of the territorial dimension of Social Security. In the context of the Flemish Movement's push for the federalisation of the state and the consolidation of monolingual language areas, Flemish intellectuals and academics produced studies showing that Social Security featured implicit transfers from wealthier Flanders to poorer Wallonia (e.g. van Rompuy, 1998).

These studies have been central to the Flemish project of further decentralising Belgian federalism, perhaps even to the point of creating a Flanders-Wallonia confederation with Brussels becoming a European district. In early 1996, the Christian Democratic-led Flemish government released a document signalling its intention to launch a new round of state reform (Gouvernment Flamand, 1996). This document, while defending inter-regional solidarity in principle, spoke of the need to end unjustified transfers and to allow each Region/Community to fashion its social policy according to its preferences and culture (Poirier and Vansteenkiste, 2000). In 1997, the Committee on state reform of Flanders' Parliament backed up the creation of a Flemish health care and family policy; representatives of all Flemish parties voted in favour except for Agalev's who abstained (ibid.: 349).

In 1999, the Flemish Parliament made a strong statement for more substantial institutional change in Belgium by adopting five resolutions (Pagano, 2000). These widely publicised resolutions were hailed in Flanders but condemned by Francophones; in fact, the Walloon and French Community Parliaments rebuked these proposals through counter-resolutions that were unanimously supported (ibid. 7-8). In the Flemish Parliament, the five general principles behind the resolutions found the support of the Christian Democrats, Liberals, *Volksunie,* and, after much hesitation, the Socialists.[8] Agalev abstained because it felt the resolutions hinted at a confederal rather than a federal model. Representatives from the *Vlaams Blok* were not present as the far-right nationalist party argued that the resolutions did not go far enough.[9] One of these resolutions, supported by a strong majority of Flemish parliamentarians (Christian Democrats, Liberals and *Volksunie*), suggested that health care and family allowances be federalised while Brussels residents would be able to choose which regime they belong to (ibid.: 44). The

arguments brought forward in favour of federalisation revolved around the idea of homogenous competencies, over-consumption of health care in Wallonia, and cultural differences.

By the end of the 1990s, there was strong backing for a partial federalisation of Social Security among Flemish political parties and within Flemish political institutions. It is interesting to note that this preference was not as clear in the general population of Flanders with approximately 35% of Flemings agreeing with the statement that 'the Social Security system should be split up/federalised' and 33% disagreeing (Baudewyns and Dandoy, 2003). In this context, the various steps that have led to the definition of this position should not be seen strictly, or even primarily, as the reflection of popular preferences, but rather as a nation-building exercise.[10] Much as the great linguistic struggles did decades before, the debate over the federalisation of Social Security stressed the distinctiveness of Flemings, although by focusing not on language but rather on things such as lifestyle habits. This debate also served to paint a dichotomous picture for the purpose of generating support for broader institutional change. Yet, it is important to highlight that the debate over the federalisation of Social Security has been primarily a Flemish debate insofar as federal politics has not been explicitly involved in this controversy. For example, neither the 1999 nor the 2003 governmental accord mentioned anything about the federalisation of Social Security. Baudewyns and Dandoy have also found that in the 40 Cabinet declarations that have occurred between 1944 and 1999, none mentioned federalising Social Security (Baudewyns and Dandoy, 2003: 14). Yet, today, Flemish pressures for the federalisation of some aspects of the federal social insurance system are as alive as ever in the wake of the strong performance of Flanders' Christian Democrats at the 2007 federal elections.

Change and Stability in the Territorial Structuring of Social Policy

Flemish and Québécois nationalism have put tremendous pressure on the Belgian and Canadian governments to decentralise social policy but with different results. The consequence of Québécois nationalism for the welfare state in Canada has been asymmetry. Since the Quiet Revolution, many powers over social policy that had been exercised by the federal government have been decentralised to Québec but not to the other provinces. This type of asymmetrical decentralisation, when it occurs, always constitutes a response to nationalist pressures in Québec. Typically, the federal government formally states that it is open to extending decentralisation to other provinces, although it is known that only one wants to assume new responsibilities. The earliest and perhaps most significant instance of asymmetrical decentralisation in the field of social policy was pensions. Québécois nationalism favoured the enactment of distinct but coordinated earnings-related public pension programmes: the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP), covering workers in the nine other provinces. The levels of the payroll tax and replacement rate are identical for both schemes. Because the federal and provincial governments share constitutional responsibility for this programme, Ottawa must reach an agreement with at least two-thirds of the provinces representing two-thirds of the Canadian population before enacting a reform (Battle, 1997: 538). Furthermore, the need for policy coordination within the Canadian pension system means that Québec must be consulted before any reform of the Canada Pension Plan is implemented. Obviously, not all Québec's claims for decentralisation are met with this response from the federal government, which is also keen to retain meaningful social policy ties with Quebeckers. For example, Ottawa has been fighting off demands from the Québec government to run its own maternity leave programme. In the case of professional training, however, the federal government decided to respond positively

to Québec's decentralist claims. In the aftermath of a close referendum result, there was immense pressure on the federal government to show flexibility and demonstrate the possibilities for accommodation of Canadian federalism.

Asymmetry related to social policy has also come in the form of what has been called 'federalism with a footnote.' (Noël, 2000: 5). Consensus over social policy reform or new initiatives is hard to attain in Canadian federalism as provinces are usually looking to protect their own autonomy to act. Yet, most of the time provincial governments other than Québec can be persuaded to accept joint social programmes or policy coordination with the federal government. For Québec Liberal and PQ governments alike, however, institutional autonomy in the development of social programmes is a priority. With the PQ in power during the late 1990s, the political strategy was to disengage from federal-provincial discussions about social policy in Canada. As a consequence, agreements for new policy initiatives such as the National Children's Agenda came with a footnote stipulating that the Québec government, although supporting the principle behind the proposal, did not wish to participate.

Provincial mobilisation to reform federal-provincial relations in the field of social policy led to the emergence of the Social Union Framework Agreement (SUFA).[11] At first, SUFA constituted a genuine effort to stop unilateral, discretionary federal retrenchment that proved so detrimental to provinces. By August 1998, even the PQ government had formally joined the inter-provincial coalition over this issue (Noël, 2000). Yet, in the end, Québec opted out of the final agreement, and the final version of SUFA adopted by Ottawa and nine of the ten provinces in 1999 failed to restore collaboration in the Canadian federal system.

More recently, another pattern of asymmetry with respect to the implementation of social policy in Canada has appeared in the form of a distinct agreement between the federal and Québec governments over health care funding. The general agreement requires nine provinces to comply with measures of accountability regarding the delivery of health care services while a side deal exempts Québec. Similarly, the general agreement sets specific priorities for these nine provinces (for example expanding home-care services), which do not bind the Québec government. As such, this agreement on health may open a new pattern in Canadian federalism where Québécois nationalism triggers an asymmetry not so much linked to a decentralisation of power to the province, but rather to an uneven configuration in the way policy objectives are set and outcomes monitored (Clark and Séguin, 2004). Many observers saw in this deal a precedent for future exercises of policy coordination in Canada that would include separate arrangements with Québec since for the first time the concept of 'asymmetrical federalism,' said to allow 'for the existence of specific agreements for any province,' featured in a formal text (Thompson, 2004).

What explains this fluidity in the territorial structuring of social policy in Canada? Three factors are important. First, Canadian federalism is not structured along clearly distinct spheres of action. Constitutionally, it features overlapping rather than 'watertight' jurisdictions. In addition, courts have recognised the power of the federal government to spend money in areas of provincial jurisdiction. As a result, decentralising power over various policy areas typically does not involve constitutional change. In the case of social policy, movement towards decentralisation often involves simply the decision by the federal government to refrain from using its spending power to implement specific programmes. Second, Canada's social programs follow a statist model, which means that only political executives, rather than a collection of social partners, are associated with its management. As a consequence, the issue of the level of government running social programmes is the subject of straightforward inter-governmental negotiations. Finally, politics at the federal level is mostly majoritarian in nature; there are no

413

formal power-sharing arrangements between Francophones and Anglophones involving, for example, mutual vetoes. As a result, policy decisions can be made by the executive independently of formal constraints stemming from the linguistic cleavage.

In Belgium, social insurance schemes are still run by the federal government despite a solid consensus amongst Flanders' political elites that at least partial decentralisation should take place. Contrary to Canada, asymmetry in social insurance is limited to the personal care programme (i.e. dependency insurance) implemented in Flanders but not in Wallonia.[12] Labelled '*Vlaamse zorgverzekering*' (VZ), this programme was enacted in March 1999. Effective since October 2001, the VZ covers part of the non-medical costs related to personal care (cleaning, preparing meals, household services, transportation, etc). In 2001 and 2002, every Fleming aged 25 and older had to pay a special flat-rate tax of 10 euros a year. Because the programme's spending has been far higher than expected, this amount increased to 25 euros a year in 2003, and the Flemish government cut some benefits in order to control costs (Paquet, 2002).

Why, apart from VZ, does social insurance remain centralised in Belgium's otherwise decentralised federal system? Two main factors help answering this question.[13] First, there are powerful institutional legacies in the social insurance system as well as the vested interest of economic organisations that have not split along language lines. Labour unions and the federal body representing the country's employers have strong incentives to oppose federalisation, which would deprive them of much of the legitimacy they hold as a result of their management of *Belgian* social insurance.

The Belgian labour movement is one of the strongest in Europe, and the fact that the two largest unions in the country totally oppose the federalisation of social insurance is a strong obstacle to Flemish proposals for change. The largest labour union in Belgium, the Catholic ACV/CSC (Algemeen Christelijk Vakverbond / Confédération des Syndicats Chrétiens), has long rejected this policy alternative in the name of Belgian economic solidarity. Despite the fact that more than 60 percent of its members live in Flanders, the ACV/CSC is committed to the preservation of a *federal* social insurance system. The Socialist ABVV/FGTB (Algemeen Belgisch Vakverbond/ Fédération Générale des Travailleurs Belges), which is the second largest labour union in Belgium, has become an even more committed opponent to the federalisation of social insurance than its Catholic counterpart. This is related to the fact that, as opposed to the situation prevailing within the Flemish-dominated ACV/CSC, there are about the same number of Francophone and Flemish members within the socialist union. Therefore, with the Francophone political parties, the ABVV/FGTB is one of the strongest opponents to the Flemish push for the federalisation of social insurance. Like the ACV/CSC, the ABVV/FGTB rejects federalisation in the name of Belgian working class solidarity. Beyond this issue, it is clear that, because labour unions have not split along linguistic lines, they have a strong interest in protecting federal institutions such as social insurance schemes. This is especially true because labour unions participate in the management of these schemes, which means that federalisation could undermine their role in Belgian economic and social governance.

On the business front, the main federal organisation is the VBO/FEB (Verbond van Belgische Ondernemingen / Fédération des Enterprises de Belgique). The position of the VBO/FEB concerning the federalisation of the social insurance system is relatively clear: although its discourse remains vague in order to avoid confrontation with Flemish employers, it opposes this policy alternative. Like labour unions, the VBO/FEB participates in the management of the system, and federalisation would certainly undermine its legitimacy. The struggle of the VBO/FEB to preserve its policy relevance is especially evident in the mirror of the competition emanating from VEV (Vlaams Economisch Verbond), a Flemish business organisation whose

profile has increased in recent years. In line with most Flemish political parties, VEV is a fervent advocate of decentralisation. In contrast, Walloon employers strongly oppose this option, which would probably mean a regional increase in payroll taxes detrimental to their global competitiveness. The weight of large Walloon firms within the VBO/FEB helps to understand why this organisation does not support the federalisation of the Belgian social insurance system.

Second, Francophone parties have, as a whole, an undeniable 'veto point' insofar as they can block direct attempts to split the existing social insurance system. This veto stems from the constitutional obligation of Belgian governments to have an equal number of Flemish and Francophone ministers and from the political understanding that decisions in the federal government will be reached by consensus. A procedure known as the alarm-bell reinforces the mutual vetoes stemming from cabinet parity as parliamentarians from one language group can put a bill on hold by arguing that it threatens the vital interests of their linguistic community.[14] Moreover, the total or partial federalisation of Social Security would in all likelihood involve constitutional change. In such a case, the bar is even higher since the support of two-thirds of each legislative chamber is necessary. This means that possibly up to three Francophone parties would have to endorse the proposed reform. Needless to say that this is very unlikely in the short run considering that every Francophone party currently opposes the decentralisation of any part of the social insurance system.

Conclusion

The cases of Belgium and Canada provide support for the idea that nationalist movements are likely to focus on social programmes as a specific target for decentralisation. From the perspective of research on sub-state nationalism, the comparison between Flemish and Québécois nationalism corresponds to a 'most different systems' design.[15] Flemish nationalism is right of centre and seeks to represent the majority community in Belgium while Québécois nationalism is left of centre and associated with a minority community within Canada. Yet, both movements seek the decentralisation of social policy, which suggests that nationalist movements consider crucial the ability for their governments to craft and implement social policy. This raises an important theoretical question on the exact reasons for this position. Two preliminary answers can be formulated. First, social programmes are more likely than other types of programme to touch people in their everyday life. As a consequence, governments running these programmes can establish direct and tangible links with a population. Social policy is, in other words, a potent nation-building tool. Second, discussion around specific social policy alternatives can easily be conducted as a debate over core values, principles and identities. In this respect, the language of social policy is similar to discourse of nationalism insofar as one group can argue to have more of a certain quality (for example, egalitarian or entrepreneurial) than the other.

The Canadian and Belgian cases show a major difference with respect to how sub-state nationalism and social policy connects. Whereas the Québécois identity is strongly defined by values associated with social policy choices, and even related to specific social programmes, the Flemish identity is not. In others words, Flemish politicians may seek the (at least) partial federalisation of Social Security but they do not conceptualise 'Flemishness' in social policy terms. Flemish nationalism remains strongly linguistic and cultural. Two elements may explain this difference between Québécois and Flemish nationalism. First, there has been little divergence between Flanders and Wallonia over social insurance (much less than between Québec and the rest of Canada) as a consequence of the continued centralisation of Social Security. This makes it less likely that Flemings would come to perceive social policy as a representation of their

national character. Second, Flemish nationalism is right of centre whereas nationalism in Québec is on the centre-left. Right-wing ideologies, at least in their liberal and neoliberal as opposed to Christian-democratic forms, might make it more difficult for a connection between national identity and social policy to emerge since they favour less rather than more social programmes.

Finally, the most striking contrast between Canada and Belgium with respect to nationalism and social policy is the consequences of nationalist pressures: asymmetrical decentralisation in Canada and status quo in the territorial management of Social Security in Belgium. Here, three factors are crucial. The first factor is the structure of social policy arrangements. Belgium's Bismarckian Social Security system involves social partners, labour unions and business associations. These organisations have not split upon linguistic lines and obtain much legitimacy through their role in managing Social Security. As a result, they strongly oppose federalisation. In Canada, the statist social policy model means that only state bureaucrats and political executives, rather than a collection of social partners, are associated with the management of all social programmes. The question of the level of government running social programmes is therefore an inter-governmental relations issue. The second factor is the nature of the political system. In Belgium, the consociational nature of politics means that Francophone parties would need to support the federalisation of Social Security for such outcome to occur. In Canada, politics at the federal level is mostly majoritarian as there are no formal power-sharing arrangements between Francophones and Anglophones involving, for example, mutual vetoes. Policy decisions are made by an executive where the Prime Minister wields a lot of power. Finally, the decentralisation of social policy in Canada can often be implemented through federal-provincial agreements whereas in the context of Belgium's watertight federalism the decentralisation of Social Security would necessitate a formal constitutional amendment and, therefore, broad cross-community consensus.

Notes

1 By transformation, we mean either evolutionary or revolutionary transformation. As we shall see, in the case of Canada there have clearly been incremental changes in the way the welfare state is structured territorially, at least with respect to Québec. Considering a fifty year period, these transformations might even appear revolutionary as the Québec government has gained considerable autonomy over social policy. In the case of Belgium, more modest changes qualify the evolution of the territorial management of social policy. For a theoretical discussion of change, transformation and governance, see Loughlin, 2000.

[2] For a general discussion about the relationship between federalism and social policy see Obinger, Leibfried and Castles, 2005.

[3] Due to limited space, this article cannot discuss mid-2000s events like the rise of the *Action démocratique du Québec* (ADQ) in the Canadian province and the June 2007 federal elections in Belgium, for example.

4 For a comparative perspective on the development of the Canadian welfare state see Olsen, 2002.

5 *Statuts du Québec*, 1945, article 6, introduction.

6 For details on these reforms and their dynamics, see Falter, 1998.

7 There was also a strategic element to this choice since the existence of two Francophone units against only one Flemish unit could have been thought to structure political power to the advantage of Francophones.

8 On the positions of the various political parties see Pagano, 2000: 12-13 and 16. The voting was slightly differentiated depending on the specific resolution.

9 Vlaams Blok became Vlaams Belang in 2004.

10 On the paradox between popular preferences and institutional reform in Belgium see Lecours, 2002.

11 On SUFA see Gagnon, and Segal, 2000; Fortin, Noël and France St-Hilaire, 2003.

12 On the origin of this legislation see Poirier and Vansteenkiste, 2000: 345-346.

13 The argument draws from Béland and Lecours, 2005b.

14 For this procedure to be enacted three-quarters of Parliament members from one language group must put forth their signature. On this issue see Uyttendaele, 1997: 102.

[15] On this methodological approach see Przeworski and Teune, 1970.

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