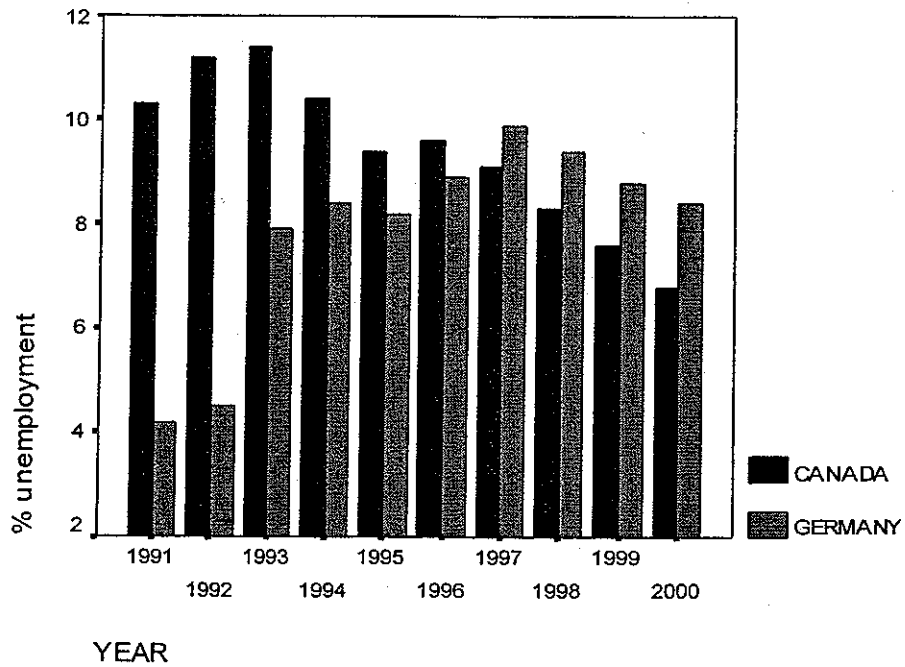


**Federalism and Labour Market Policy in  
Germany and Canada:  
Exploring the Path Dependency of  
Reforms in the 1990s<sup>1</sup>**

German labour market policy has remained largely intact.

In this paper we begin by analyzing

Chart 1 – National Unemployment Rates for Canada and Germany, 1991-2000



Source: OECD standardized unemployment rates.  
 Note: Prior to 1993 data refers to Western Germany.

TABLE 1. Unemployment Rates in Germany, 1991-2000

Länder	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	AVERAGE
Schleswig-Holstein	7.3	7.2	8.3	9.0	9.1	10.0	11.2	11.2	10.6	9.5	9.34
Hamburg	8.7	7.8	8.8	9.8	10.7	11.7	12.0	12.7	11.7	10.8	10.18

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at the close of the decade has reduced  
unemployment from 4.8 million workers in early

it had not yet reached a surplus. Against this  
backdrop, the bulk of labour market policy



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approximately 75 to 90 percent of national  
labour market policy spending, ran deficits and

These initiatives included: repatriation  
incentives for foreign workers and a tight anti-

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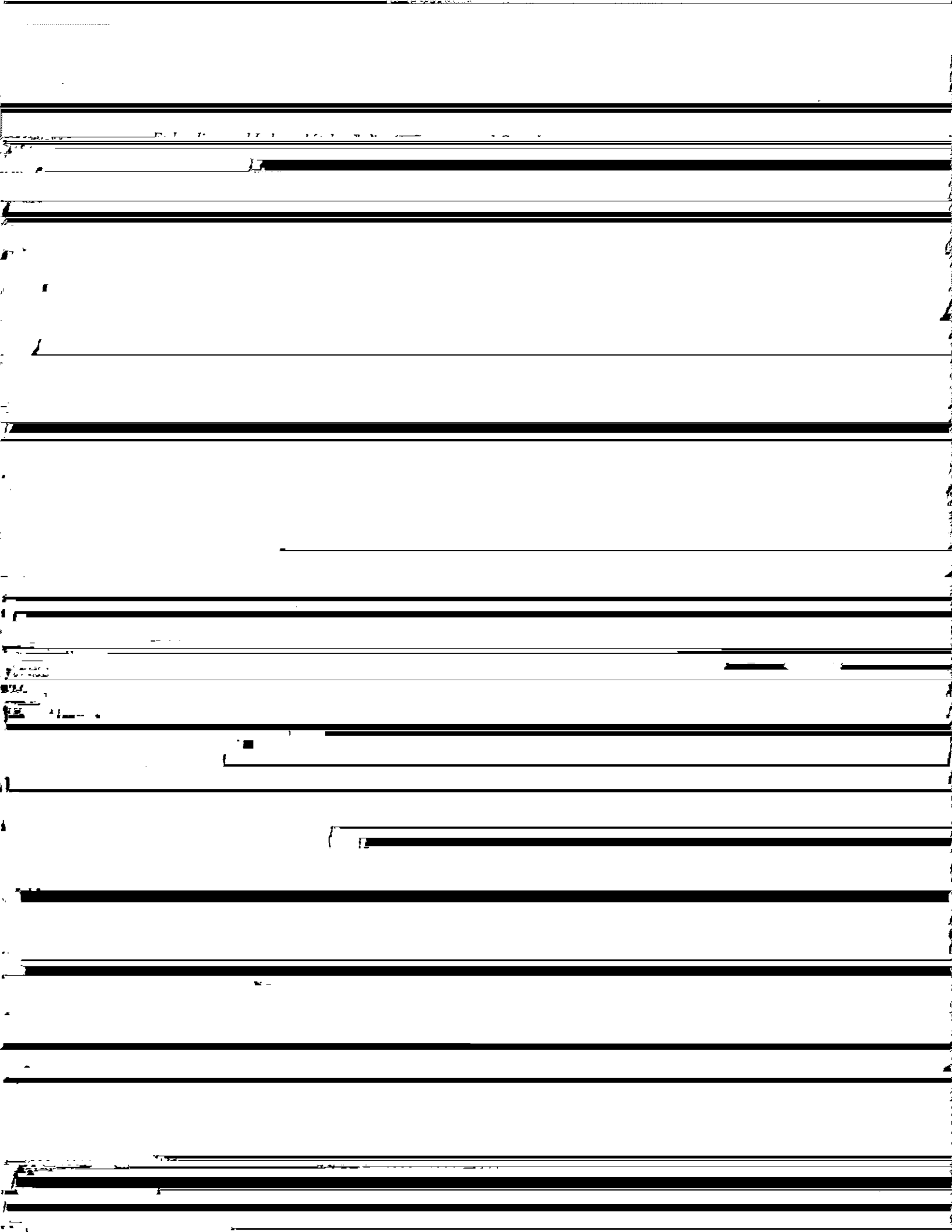
In fact, while active measures had returned to being granted as discretionary privileges years ago, the *Employment Promotion Reform Act* of 1997 no longer mentioned full employment as goal of German active labour market policy.

unemployment rates within the framework of a "social and ecological market economy." In line with its campaign promises, the new government rescinded the liberalized dismissal and tightened sick-leave regulations imposed by

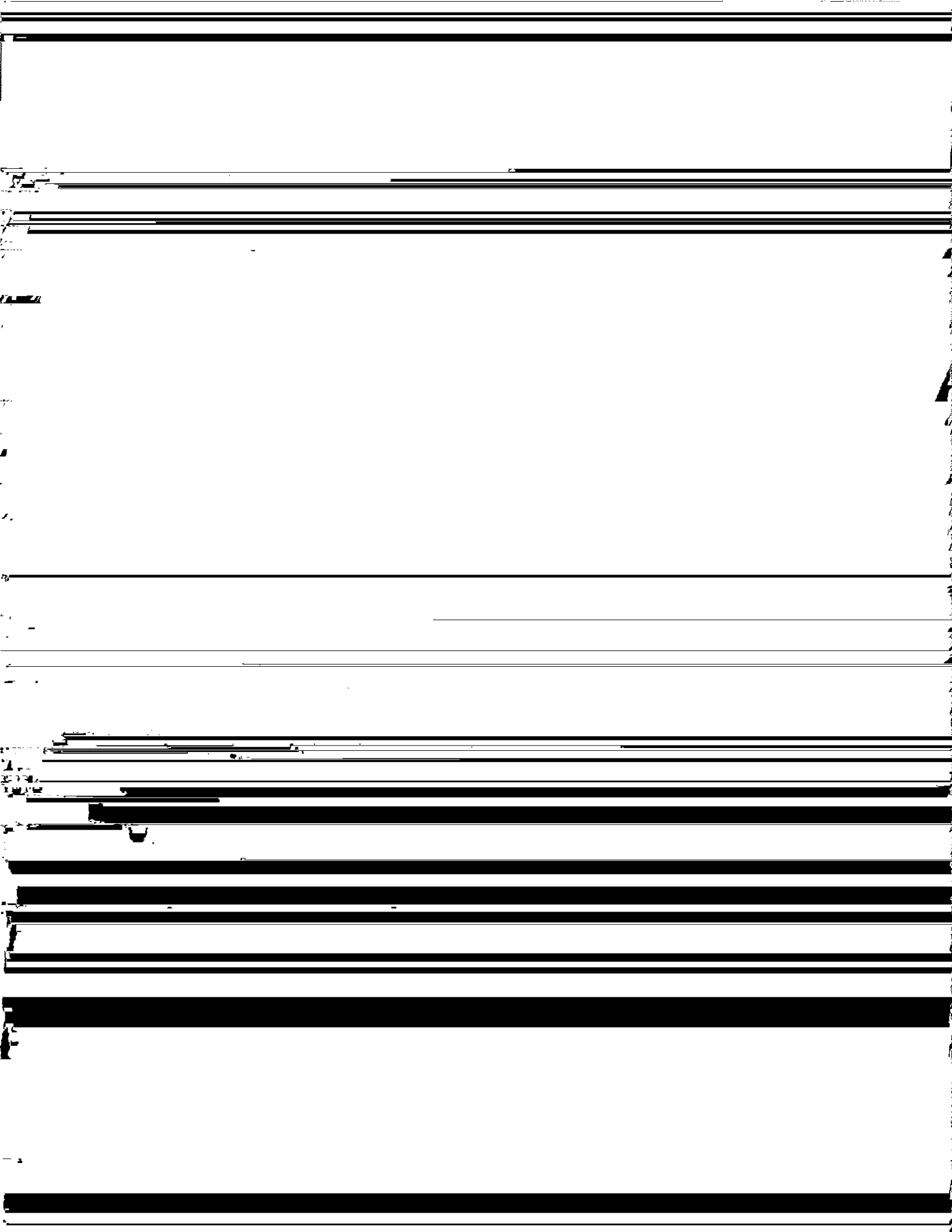
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policy. With regard to the economy, the decade began with the implementation of the Canada-U.S. Free Trade Agreement, which involved major economic restructuring in the nation's industrial heartland — Quebec and Ontario

importantly, to reduce costs. In each case, eligibility requirements were tightened, the duration of benefits was reduced, and benefits were lowered. For instance, in 1990 the benefit







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review and ultimate approval, the province of Quebec, governed by the separatist Parti Quebecois, was holding its referendum on

governments considered substantial reforms to this funding mechanism, but they rather opted for (politically less demanding) adjustments to



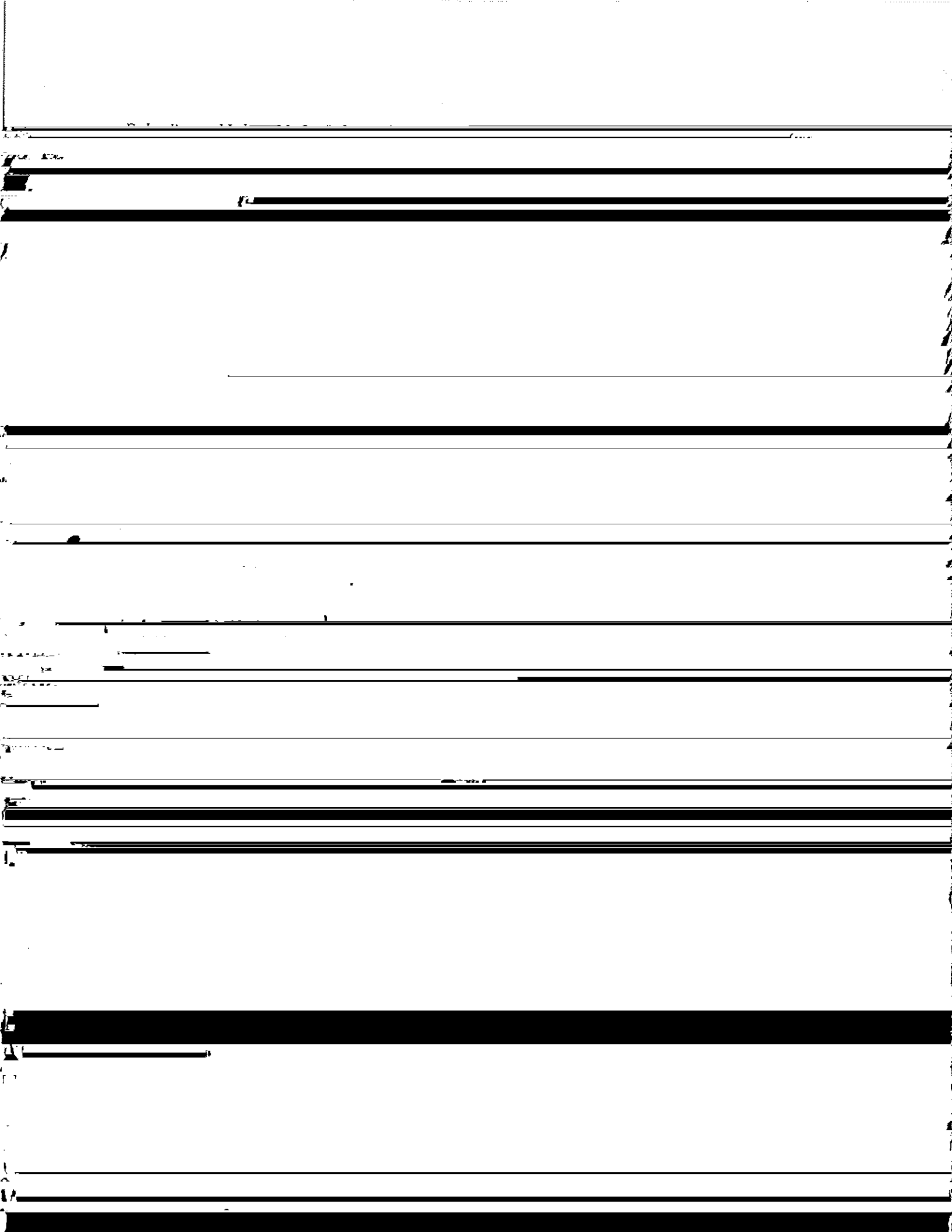


**Table 6 - Labour Force Participation Rates in Germany and Canada, 1991-1999**

Year	Labour Force Participation Rates	
	Canada	Germany
1991	77.2	73.9
1992	76.4	73.1
1993	76.1	72.7
1994	76.0	72.9
1995	75.8	72.8
1996	75.6	72.9
1997	75.9	73.4

**Chart 2 – Variation Coefficients for Unemployment Levels, German *Länder* and Canadian Provinces, 1991-2000**







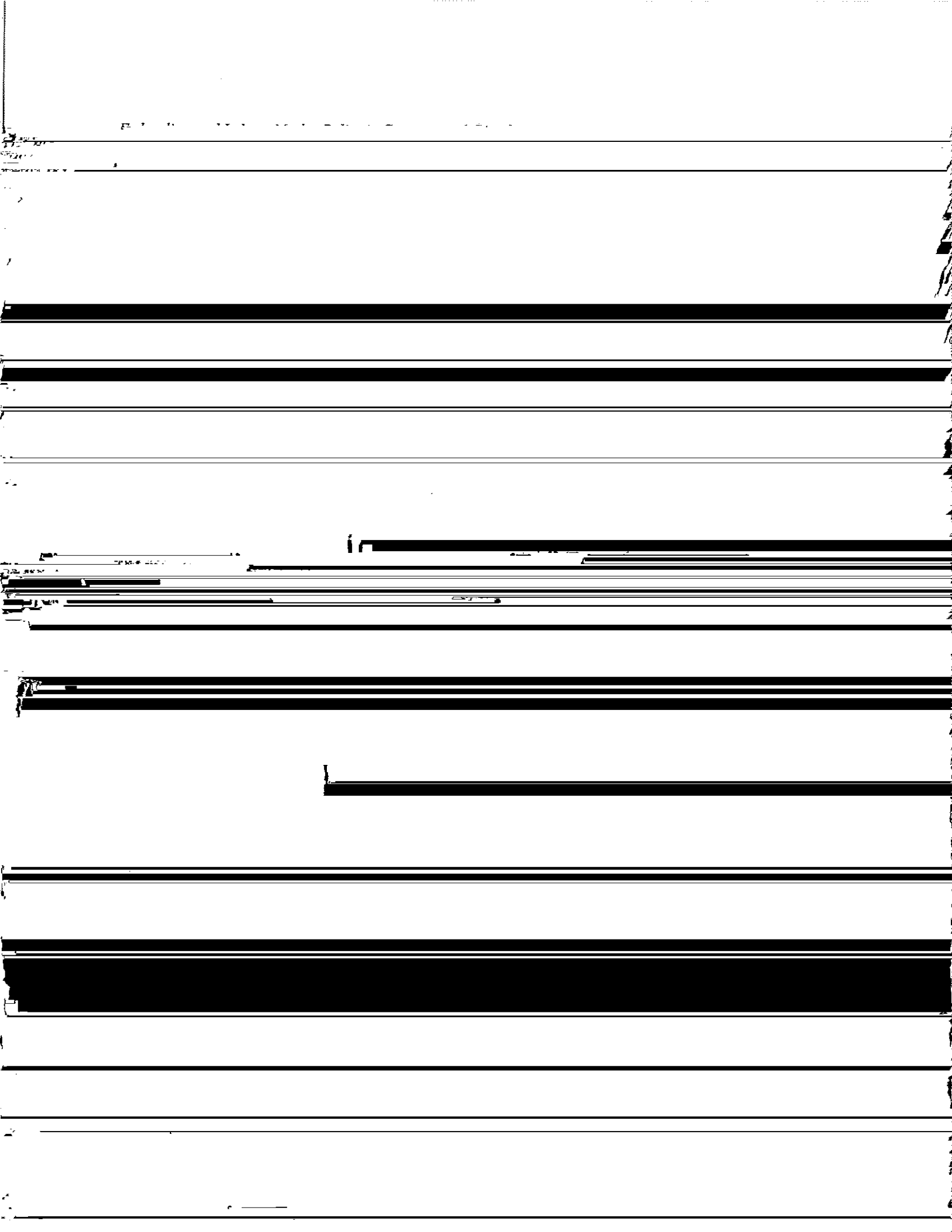




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continental European model. The European

and various attempts to shrink payments to the



**NOTES**

1. We thank our colleagues at the Queen's  
University Institute of International

York: Campus, 1992); Roland Czada,  
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17. J. W. P. Veugelers and Thomas R. Klassen  
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1998). This report has also been published for the years of 1998, 1999 and 2000.

25. Human Resources Development Canada, "Government of Canada Offers Provinces and Territories Responsibility for Active Employment Measures," press release, Ottawa, 30 May, 1996; Herman Bakvis, "Federalism, New Public Management, and Labour-Market Development" in *Canada: The State of the Federation 1996* in D. Brown and P. Fafard, eds. (Kingston: Institute of Intergovernmental Relations,

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29. R.H. Cox, "From Safety Net to Trampoline.

32. Stephen Krasner, "Sovereignty: An Institutional Perspective" *Journal of International Law and Politics* 26 (1994): 143-75.

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