



## **Labour Market Development Agreements (LMDAs) and the Federal Role in Labour Programs\***

Thank you for the opportunity to comment on the renewal of the Labour Market Development Agreements. Most of the presentations you have heard have focused on the rules and funding of the LMDAs. For example, several witnesses have advocated a uniform 360 ‘hours of work’ requirement to determine eligibility for employment benefits and supports under the LMDAs. This is especially necessary in view of declining eligibility for regular Employment Insurance benefits for many workers across Canada.

Generally, we also endorse these recommendations, but I want to take a different tack this morning and address the future of the LMDAs from another angle. I want to ask the question: What should the federal government’s role be in employment training and supports?

I am old enough not only to remember the Meech Lake Accord, but to have played a minor role in the negotiations.

The failure of the Meech Lake Accord led to a much sharper discussion of the division of powers between the orders of government. One of the key areas of responsibility under consideration was ‘Labour Market Training.’ In initiating a second attempt at constitutional reconciliation, Prime Minister Mulroney’s government released ‘Shaping Canada’s Future Together.’ In that paper, Ottawa proposed a “constitutional amendment to recognize explicitly that labour market training is an area of exclusive provincial jurisdiction” [Shaping Canada’s Future Together 1991: 34]. This proposal eventually became the consensus among all participants and was incorporated as a draft constitutional amendment in the Charlottetown Accord in 1992.

Of course, as we all know, the Charlottetown Accord failed to pass. Nevertheless, the consensus supporting provincial responsibility for labour market training remained intact. A process of transferring federal labour market training

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funds, staff and programs to the provinces was initiated under Prime Minister Chrétien in 1995, with the original LMDAs. The consensus not only endured but was reinvigorated with the election of Prime Minister Harper's government. Finance Minister Flaherty's 2007 Budget recognized the "primary role and responsibility that provinces and territories have in the design and delivery of training programs" and completed the process of devolution [Finance Canada 2007: 130-131].

The arguments for provincial primacy with respect to labour market training are not just about jurisdiction for jurisdiction's sake: It makes overwhelming sense from a practical, program perspective to center labour market training in the provinces. The strength of federalism is that it can respond flexibly to different conditions in different parts of Canada. We have everything from virtually full employment in Alberta and Saskatchewan to chronic double-digit unemployment in much of the Atlantic Provinces. We have a booming natural resource sector in some provinces and a struggling manufacturing sector in others. Moreover, the provinces and territories have responsibility for education, including colleges and universities, and all other streams of training. If we want, in the words of the late Minister Flaherty, "one-stop, seamless labour market programming" it has to remain consolidated under provincial responsibility.

In our view the provinces have been reasonably successful in improving training programs, although as I will come to in a moment, we do need much better evaluation. So our recommendation would be to not fiddle with the process of devolution: Don't do as has been done recently with the

Labour Market Agreements. Let the provinces continue to do what they do best so that Ottawa can get on with its own job.

But what is Ottawa's job in the area of labour market training? We see three critical roles.

First, Canada needs vastly better labour market information systems, not only at the wholesale level in the form of statistical data, but at the retail level too. Workers in rural New Brunswick need to have a way of knowing which jobs are available in northern British Columbia. Today we have the worst of all worlds: We have unreliable and out-of-date labour market information for employers and governments, and we have no national labour market exchange. Firm level surveys are one approach – but they are an old-fashioned and expensive way of gathering information and the information they produce is always out of date. Let's get creative. Let's move Canada into the 21<sup>st</sup> century with real time information on labour demand through the creation and use of administrative data. A small relatively inexpensive beginning could be made on this project today by establishing a single, easy-to-access web site where all employers seeking Temporary Foreign Workers are required first to post their job openings.

Second, through the LMDAs the federal government distributes employer and employee EI funds to the provinces and territories for employment benefits and supports. Ottawa is the steward of these funds and has the right to insist on more accountability on behalf of EI contributors. This can start with much deeper and more meaningful reporting by provinces on both inputs and outcomes of the LMDAs. Further,

governments should work together to develop uniform reporting standards so a national picture can be obtained.

Third, LMDA employment benefits and supports need to be better evaluated. This requires third-party objective review, where possible randomized controls, and rigorous statistical and economic analysis. We need to know what is working well and what is not, and what makes financial sense and what does not: not as a way of attaching blame but as a way of improving our programs. The federal government should be requiring high standards for evaluation and then aggressively promoting best practices.

So our recommendation to Ottawa is to stick to your own knitting. Let the provinces get on with designing and running labour market training programs, while the

federal government turns much needed attention to a national role that only it can do best in information, accountability and evaluation.

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