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# Strengthening Canada's Public Employment Service Post-Devolution

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## EXECUTIVE SUMMARY

In the summer of 2016, Canada's governments sought input from stakeholders on a number of labour market transfer agreements to improve programming and inform future federal funding. The transfer agreements are the way that the Government of Canada funds programs that collectively constitute Canada's public employment service.

Canada's public employment service used to be managed and delivered by more than 500 Canada Employment Centres across Canada. Starting in 1996, federal responsibility began to be devolved to provinces, territories and Aboriginal organizations. While about 87 percent of public employment service programming is now the responsibility of the provinces, territories and Aboriginal organizations, the Government of Canada continues to play a primary role as it controls the money and sets the legislative, policy and accountability framework under which the devolved programs operate. The Government of Canada also retains direct control of youth and disability employment services as well as pan-Canadian activities.

Since labour market policy in Canada is an area of shared responsibility, no one order of government is constitutionally or politically authorized to monopolize decision-making or otherwise impose its will unilaterally. This paper reviews Canada's public employment services post-devolution, and suggests ways to improve and modernize its governance arrangements. While results over the past 20 years through the various provincial, territorial and Aboriginal agreements have been generally positive, a number of problems remain. These include fragmentation and policy incoherence; government dominance and weak pan-Canadian coordination; and a lack of transparency, comparative research and opportunities for mutual learning.

Canada has now begun Phase three of reform to its public employment service. The ideas heard in response to the summer labour market consultations should provide direction to governments on the *content* of future policies. However, its overall *governance* architecture also requires strengthening. This paper proposes that governments and stakeholders work together to develop an overarching policy framework as a foundation for a single labour market transfer agreement between the Government of Canada and each province and territory. This new agreement could include realigned federal programming for youth and persons with disabilities. It also suggests that:

- the federal stewardship and coordination role be affirmed
- Aboriginal capacity to manage the programs under their direct control be increased
- a new body to ensure stakeholder input into the programming be created
- the scope of the newly-announced Labour Market Information Council include comparative research.

## INTRODUCTION

In the summer of 2016, governments in Canada sought input from stakeholders on a number of federal-provincial/territorial and federal-Aboriginal labour market transfer agreements. If you blinked, you may have missed it as the federal-provincial/territorial consultations through the Forum of Labour Market Ministers lasted for less than two months, closing August 19, 2016. The parallel Aboriginal consultations – led by the Government of Canada – started in August and have been extended to November 4, 2016. The consultations are meant to improve programming and inform future investments. Decision-making will take place in the fall of 2016, with investment decisions reflected in the 2017 federal budget.

Both consultations were organized around questions in separate discussion papers that also provided background on the programs under review. At least this publicly-announced effort by the current government was an improvement over the consultations undertaken by the previous government on roughly the same programming in the summer of 2014. In that exercise, there were no publicly-released consultation papers and only the views of selected stakeholders were sought. Rather than a collaborative effort with the provinces and territories, it was a Government of Canada undertaking only. There were no opportunities to provide written submissions.

However, even these latest efforts have failed to raise many important questions and issues. The consultations focus on the basket of programs that collectively make up most of Canada's public employment service. Since the beginning of the 20<sup>th</sup> century, every developed nation has created a public employment service. As a *public service*, the public employment service sits as the main institutional structure used by any country to tackle unemployment and underemployment.

As identified by the International Labour Organization *Employment Services Convention* (1948, no. 88) – ratified by Canada in 1950 – a public employment service has the following responsibilities:

1. Assist workers to find suitable employment and assist employers in finding suitable workers. When people lack needed skills, the public employment service is the place where they can obtain vocational guidance and access 'second chance' opportunities, including training.
2. Facilitate occupational and geographic mobility so that workers can move to areas with suitable employment. This includes removing barriers to occupational certification.
3. Collect and analyze information on the employment market and its evolution – in different industries, occupations and areas (national, provincial and local) – and make it available systematically and promptly.
4. Cooperate in the administration of unemployment insurance and other measures for the relief of the unemployed, thereby reducing the costs of government social supports.
5. Assist other public and private bodies as necessary in social and economic planning in order to ensure a favourable employment situation.

Labour market policy in Canada – including the public employment service – is an area of shared responsibility. This means that no one order of government is constitutionally or politically authorized to monopolize decision-making or otherwise impose its will unilaterally. Canada's public employment service operates alongside our much larger postsecondary education and skills development programs. In 2013, provincial and territorial Labour Market Ministers noted that they invested \$22 billion annually in this type of programming [Forum of Labour Market Ministers 2013].

The purpose of this paper is to propose ways that Canada's now largely decentralized public employment service could be strengthened, improved and modernized. The paper focuses specifically on issues of *governance*, referring not so much to the content of policies and policy reform, but rather to the mechanisms of policy-making and policy implementation. This includes the authority to act and make decisions, the program architecture, the institutions and actors that influence decision-making, and evidence-based research. The proposals for reform presented here go beyond the questions asked by governments through the summer 2016 consultations. By putting different ideas into the public realm, I hope to open up the conversation to new possibilities that would not otherwise be considered.

## CANADA'S PUBLIC EMPLOYMENT SERVICE

Public employment service activities in Canada started in 1918 through the establishment of the Employment Service of Canada, run by provincial governments using federal funding. In 1940 – in conjunction with a constitutional amendment establishing a national unemployment insurance program – the provincial offices closed and the federal government assumed responsibility. Over time, the federal government expanded its involvement. By the late 1990s, the Government of Canada was operating more than 500 Canada Employment Centres across the country, delivering both unemployment insurance benefits as well as public employment services.

Starting in 1996 provinces and territories – one at a time – took back responsibility for most aspects of the public employment service through devolved Labour Market Development Agreements, called LMDAs for short. Ultimately, more than 2,600 federal civil servants and almost 1,000 contracts with community-based service providers transferred to the provinces as well as around \$2 billion in funding. The LMDAs are targeted to serve primarily Employment Insurance clients. In the late 1990s program delivery for Aboriginal persons was also devolved from federal to Aboriginal control through the establishment of new Aboriginal labour market organizations.

As a result of these changes, most public employment service programming is now delivered through entities called (among other names) *Alberta Works*, *WorkBC*, *Employment Ontario* and *Emploi-Québec*. Aboriginal labour market programs are delivered through a network operating under the *Aboriginal Skills and Employment Training Strategy or ASETS* banner. Provincial and territorial responsibility for public employment services was reinforced through the 2007 federal budget in the form of Labour Market Agreements (LMAs), which transferred federal funds to provinces and territories to enable them to provide expanded employment services to persons who were not eligible for Employment Insurance and so would not ordinarily be eligible for assistance through LMDA funded programs.

In 2013, the LMAs were transformed into the Canada Job Fund Agreements (CJFAs). While the LMAs focused on helping unemployed and low-skilled workers who were not eligible for Employment Insurance, the CJFAs focus on people who are already working. Both arrangements

complement longstanding federal-provincial/territorial arrangements to help persons with disabilities gain employment through Labour Market Agreements for Persons with Disabilities or LMAPDs. Finally, the Targeted Initiative for Older Workers or TIOW is a smaller program intended to help older workers.

As can be seen from the above summary, Canada's public employment service arrangements are highly complex. They include 52 bilateral federal-provincial/territorial LMDA/LMA/CJFA/LMAPD/TIOW Agreements as well as 84 federal-Aboriginal agreements under the Aboriginal Skills and Employment Training Strategy. In 2015-16, the Government of Canada provided more than \$3.3 billion in funding for public employment service programming delivered by provinces, territories and Aboriginal organizations.

While about 87 percent of public employment service programming is now under provincial/territorial and Aboriginal management, the Government of Canada continues to play a primary role as it controls the money and sets the legislative, policy and accountability framework under which the devolved programs operate. It has also retained direct control of youth and disability labour market programming as well as pan-Canadian activities (e.g., sector councils and labour market information and research) and some functions of the National Employment Service (e.g., Job Bank). Table 1 identifies the key pieces of Canada's public employment service and federal spending allocations in 2015-16.

**TABLE 1**  
**PLANNED FEDERAL SPENDING ON KEY PIECES OF CANADA'S**  
**PUBLIC EMPLOYMENT SERVICE IN 2015-16\***

Program name	Delivery	2015-16 allocation (\$000,000)
Labour Market Development Agreements (LMDAs)	Provincial	2,100
Labour Market Agreement (LMAs); became Canada Job Fund Agreements (CJFAs)	Provincial	500
Labour Market Agreement for Persons with Disabilities (LMAPD)	Provincial	222
Targeted Initiative for Older Workers (TIOW)	Provincial	25
Aboriginal Skills and Employment Training Strategy (ASETS)	Aboriginal	344
First Nations Jobs Fund	Aboriginal	59
Skills & Partnership Fund	Aboriginal	50
Youth Employment Strategy	Federal	237
Apprenticeship Incentive Grant	Federal	115
Opportunities Fund (for disabled persons)	Federal	45
Literacy & Essential Skills	Federal	22
Foreign Credential Recognition	Federal	21
Sector Councils	Federal	6
<b>Total planned spending</b>		<b>3,746</b>

\* Provincial programming dollars are from the Forum of Labour Market Ministers (FLMM) consultation paper. Other numbers are reproduced from Wood 2015b.

Almost all of the funding for the provincial/territorial and Aboriginal programming comes from the Government of Canada and most of that money derives from mandatory worker and employer contributions to the Employment Insurance account. A smaller portion comes from the federal Consolidated Revenue Fund. The amount of provincial/territorial money allocated to the public employment service is small, reflecting the federal role in directly delivering programs in this policy area pre-devolution.

Compared to other countries, Canada is a laggard in spending on what the Organisation for Economic Co-operation and Development (OECD) calls 'active labour market measures,' including the public employment service. The OECD average of country spending as a proportion of GDP in 2011 was 0.6 percent; in 2011, Canada's investment was calculated at 0.3 percent, well below the OECD average and in 26<sup>th</sup> position among OECD countries. By 2013, it had decreased even further to 0.23 percent.

While, on average, four percent of the labour force among OECD countries participates in active measures, Canada's rate was one of the lowest at less than one percent [Martin 2014: 7]. In a recent study, the OECD calculated that from 2002 to 2012 Canada's expenditures on active measures decreased by 34 percent. It attributed the decrease to the devolution of labour market programming [OECD 2015: 146-148]. With reduced funding, provinces, territories and Aboriginal organizations have tried to do more with less by shifting to less expensive programming. This shift has eroded choices for clients. The new investments signalled by the Liberals in their first budget and through the summer 2016 consultation are sorely needed.

## PROBLEMS WITH THE CURRENT GOVERNANCE ARRANGEMENTS

The devolution of design and delivery for Canada's public employment service has led to many positive outcomes. LMDA program evaluations detailed in the annual *Employment Insurance Monitoring and Assessment* reports since 1998 have been consistently positive. Aboriginal employment programming has likewise demonstrated positive results, as have LMA evaluations and reviews.

Until 2013 and the federal unilateral imposition of the Canada Job Grant, devolution had also restored harmony in federal-provincial/territorial relations, a significant accomplishment. Although provincial and territorial governments were concerned over reduced programming for vulnerable clients – as well as the federal imposition of programming choices [Forum of Labour Market Ministers 2013] – all (except Québec) ultimately signed on to new Canada Job Fund Agreements to 2020. The recently-released two-year review of the Canada Job Grant confirms provincial and territorial concerns as the program is clearly favouring the employed over the unemployed [Goss Gilroy 2016]. This episode highlights some of the governance problems that exist with our public employment service.

### *FRAGMENTATION AND POLICY INCOHERENCE*

There was never a 'grand design' on the part of the Government of Canada for the devolution of the public employment service. Action was taken in response to broader political demands and not to the perceived needs of the sector. Devolution to provinces and territories was triggered primarily by Ottawa's need to demonstrate 'flexible federalism' following the failure of the 1995 Québec referendum. Increased responsibility for Aboriginal people was in response to the 1996 Royal Commission on Aboriginal Peoples. As a result, no broad multilateral framework was ever developed. Indeed, given the fragility of Québec's place in the federation at the time, it would have been impossible to try and negotiate one.

On the provincial/territorial side, the LMDAs proceeded bilaterally – one jurisdiction at a time – negotiated in stops and starts over a 14-year period between 1996 and 2010. The LMAs announced in 2007 were a welcome add-on, again negotiated bilaterally but with similar parameters from one jurisdiction to another.

As noted, Ottawa's unilateral attempt to transform them in 2013 into Canada Job Grants caused considerable federal-provincial/territorial discord. The LMAPDs – with antecedents in the 1962 Vocational Rehabilitation of Disabled Persons Program and its 1997 successor Employability Assistance for Disabled Persons Agreement – were built around an agreed-to multilateral federal-provincial/territorial framework. The Targeted Initiative for Older Workers started in 1987 as a federal-provincial cost-sharing pilot project called the Program for Older Worker Adjustment that became entrenched over time.

As a result, in 2016 Canadians are faced with a bewildering array of different federal-provincial/territorial agreements for defined clients groups, with each agreement having different eligibility restrictions, programming requirements, funding formulas as well as accountability arrangements. For example, under the LMDAs only Employment Insurance clients can get funding for training, whereas under the LMAs anyone in need was eligible. Under the CJFAs priority must be given over to whomever an employer chooses to train. The Targeted Initiative for Older Workers is the most inflexible, with federal approval required for each individual project.

By contrast, up to 2014 the LMAPDs were the most flexible. As provinces spend considerable amounts on disability programming, all they had to do to receive federal funding was to detail disability programming they felt was eligible for cost-matching. While the LMDAs have three indicators on which provinces and territories must report, the LMAs had 10. The CJFAs have even more reporting requirements. Each agreement has a different funding formula, ranging from historically-based, to per capita, to the proportion of the unemployed.

And these are just the provincial/territorial programs. In terms of programming that remains under direct federal control, Aboriginal labour market programs are divided into core services under the Aboriginal Skills and Employment Training Strategy (ASETS), plus project-based supplementary funding through the Strategic Partnership Fund and the First Nations Jobs Fund. The early Aboriginal agreements were grounded in a negotiated federal-Aboriginal framework and realized through Regional Bilateral Agreements, later renamed as ASETS. However, given the 'distinctions'-based approach desired by Aboriginal leaders, the programs are now segmented into First Nations, Métis, Inuit and urban services. They are often poorly coordinated with the mainstream provincial public employment service. A federal official who wished to remain anonymous noted that: "Building partnerships with the provinces [around Aboriginal employment programming] is our biggest weakness and challenge."

Also under federal control is the direct delivery of employment programs for youth and persons with disabilities, with contracts managed by Service Canada offices across the country. Despite acknowledging through devolution that provinces and territories were best placed to design and deliver labour market programs, the Government of Canada was unwilling to hand over control of its long-standing and popular youth programs. On the disability front, it began directly funding programming through the Opportunities Fund in 1997 only *after* devolution started. This defies logic and good governance. These federal youth and disability programs are also not well coordinated with public employment service programming delivered by the provinces and territories.

And then there is Ottawa's pan-Canadian role. While maintaining that [the Government of Canada] "play[s] a primary role in responding to challenges that extend beyond local and regional labour markets by delivering pan-Canadian activities and functions of the National Employment Service" [CEIC 2012:133], over the past decade the federal presence has diminished significantly. Pan-Canadian spending reported in the annual *Employment Insurance Monitoring and Assessment Report* declined from around \$70 million in 2010 to \$24 million in 2013-14. Federal support to community-based training organizations, literacy organizations, disability groups and career development practitioner organizations to help their members come together on a pan-Canadian basis has almost disappeared. Unlike health care and education, the public employment service does not have a highly organized policy community involving powerful and mobilized stakeholders.

In two recent reports – one on employment services for people with disabilities and another on displaced workers – the OECD weighed in on Canada's fragmented public employment service governance structure [2015; 2010]. It noted that having a multitude of programs means that they are developed and administered in silos. Given that the federal government has no formal authority to monitor the performance of provinces and territories, there is a minimal flow of information. Without a central coordinating mechanism, there is no standardized yardstick to tell what is working or not. There are no fora for disseminating information and engaging public debate, resulting in no tangible public expectations for improvement of outcomes. With both governments involved, ultimate accountability to clients for policy performance and outcomes is divided and often blurred. In the OECD's view, one of the much-lauded virtues of federalism – that of promoting experimentation and innovative practices – is not happening with the Canadian public employment service.

## GOVERNMENT DOMINANCE AND WEAK PAN-CANADIAN COORDINATION

In all of this programming – other than through the influence brought to bear by the Employment Insurance Commissioners for Workers and Employers – there are virtually no ways for stakeholders to influence policy decisions. The entire system is dominated by governments, mainly the Government of Canada. Federal executives in consultation with federal politicians decide how much money is to be made available; how it is to be distributed among provinces, territories and Aboriginal organizations; the overall strategic priorities and directions; the nature of the individual agreements; and outcome indicators for each agreement.

This was not always the case. Going back to 1918, Canada has a long history of establishing permanent institutional structures to take into account the views of business, unions, post secondary institutions, community training organizations and other experts to guide how the public employment service should be run. For business and worker organizations, this input is especially warranted because most of the costs are paid for through their compulsory Employment Insurance premiums.



The corporatist turn under the Mulroney Conservatives during the 1980s and 1990s represented the pinnacle of formal stakeholder involvement in Canada's public employment service, involving dedicated labour market boards at the national, provincial and local level. There were also sector councils and Aboriginal labour market boards. With the demise of the Canadian Labour Force Development Board in the late 1990s and the end of federal funding for sector councils in 2013, all pan-Canadian labour market institutions have disappeared. This is despite Canada's being an open economy with free movement of labour and capital across provincial and territorial boundaries. While some provinces have created provincial and local boards – most notably Québec, Manitoba and Ontario – they only focus on their provincial labour market needs.

Federal control is most notable in relation to Aboriginal programming, which is tightly prescribed and directly supervised by federal officials. This is a far cry from the Pathways principles of the early 1990s, meant to ensure that labour market services for Aboriginal people were locally designed, flexible and culturally sensitive. The loss of Aboriginal input through an oversight board to balance federal officials' input is felt keenly in this area.

Even federal-provincial/territorial coordination in the policy domain is relatively weak. Notwithstanding devolution, the Forum of Labour Market Ministers – set up in 1983 as an intergovernmental forum aimed at strengthening cooperation on labour market priorities of the provinces, territories and Canada – remains unchanged. A modest, provincially-managed secretariat allows a lead province to hire two to three people to provide a coordinating capacity across jurisdictions. Its main job is to arrange meetings and prepare material for collective consideration. Rotating from east to west every two years, without permanent staff and corporate memory, the Forum of Labour Market Ministers has limited capacity to develop strategic directions, enhance transparency, receive input or engage comparative research to improve programming.

This is in sharp contrast to the education sector through the Council of Ministers of Education Canada that operates with a staff complement of 60 and also houses the Canadian Education Statistics Council and the Canadian Centre for the Recognition of Foreign Credentials. While the Forum of Labour Market Ministers' newly-announced intention to create a Labour Market Information Council and its stakeholder advisory committee appears promising, it took governments over six years to come to agreement. It has been more than a year since the announcement of their intention and so far as is publicly known, nothing has yet been done to implement the announcement. It is still unclear when it will be established and what exactly it will do.

The only way that federal parliamentarians have an opportunity to present their views in this policy area is if the government decides to refer an issue to the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities. While the committee has indeed been active on labour market issues over the past few years (with six dedicated studies, 337 witnesses and 90 submissions between 2011 and 2015), its recommendations were mostly ignored. There are no connections between the federal Parliamentary committee and provincial politicians, now in charge of most of Canada's public employment service.

### *LACK OF TRANSPARENCY, COMPARATIVE RESEARCH AND MUTUAL LEARNING*

Due to the fragmented structure of Canada's public employment service, reporting and evaluation are also done in a piecemeal fashion. The only regular national report on employment policy in Canada is the *Canada Employment Insurance Commission Monitoring and Assessment Report*, issued annually since 1998. However, it focuses only on the LMDAs, ASETS and pan-Canadian programming. The report provides limited information on how services have changed post-devolution, nor are comparisons made between provinces and territories or over time to facilitate mutual learning and engage stakeholders. While the LMDAs have been in place for almost 20 years and evaluated within each province, there is no pan-Canadian evaluation nor any plans to do one.

On the LMAs, while every province and territory reported individually each year over its six-year life span, pan-Canadian reports were prepared for only two years. The only detailed information on the other programs noted in Table 1 is through evaluation reports undertaken as determined by federal, provincial and territorial officials. The LMA evaluation [ESDC 2013] and the CJFA two year review [Goss Gilroy 2016] have been the most relevant and helpful, demonstrating that the Forum of Labour Market Ministers has become more active and transparent over the past few years.

Despite this information deficit, there is little evidence to demonstrate action to overcome the problem. In fact, post-devolution, there has been almost a total loss of pan-Canadian evidence-based research related to the public employment service. Federal funding has been withdrawn from the Sector Council Program and the Workplace Skills Initiative as well as research institutions such as the Canadian Labour and Business Centre, Canadian Policy Research Networks and the Canadian Council on Learning. The OECD will be much less active in considering Canadian case studies as in 2013-14 the federal funding allocation was cut by two-thirds.

Instead, research structures are being re-created at the provincial level through institutions like the Centre for Employment Excellence in British Columbia, *l'Observatoire compétences-emplois* in Québec and the Centre for Workforce Innovation in Ontario. While these structures may serve the needs of their provincial public employment service community, there are no mechanisms to link with each other across Canada to ensure coordination and resource sharing or to identify and fill gaps in the big picture. Since other provinces have chosen not to invest, an imbalance is being created in provincial capacity to contribute to the workings of the federation.

## AN ALTERNATIVE GOVERNANCE MODEL

It has now been 20 years since Canada began transforming its public employment service through devolution. The summer 2016 consultations provided an ideal opportunity to take stock, assess and improve the *content* of the various labour market programs on offer. But complementary changes to the *governance* arrangements under which the programs are offered are also needed.

### DEVELOP A PAN-CANADIAN MULTILATERAL LABOUR MARKET FRAMEWORK AGREEMENT

Agriculture and immigration – two areas in Canada that the Constitution deems as concurrent federal and provincial jurisdiction – successfully combine multilateralism with bilateralism. Unlike the labour market area, both have overarching policy frameworks that outline policy and program parameters to be delivered by all governments over a defined period of time. *Growing Forward 2013-2018* is a successor to agriculture agreements that have been in place for more than 15 years. Work is currently under way to develop the next framework agreement that will launch on April 1, 2018.

While federal-provincial/territorial cooperation on immigration issues is more recent, in 2012 Ministers committed to a *Joint Federal-provincial-territorial Vision for Immigration*. These framework agreements are detailed documents that include objectives, principles, results, roles and responsibilities, funding parameters, accountability and priority actions. They also contain commitments by governments to transparency and public engagement.

Drawing upon these two experiences, a pan-Canadian framework could be constructed for the labour market sector, comprising different sections on issues such as balancing labour market demand and supply, labour market information, labour mobility, serving under-represented groups, serving employers and relationship to programming like Employment Insurance and social assistance.

Additional issues include provincial/territorial and Aboriginal accountability for federal funding, funding sources (Employment Insurance vs. Consolidated Revenue Fund), funding distribution across Canada, partnerships, research, best practice learning, and federal-provincial/territorial roles and responsibilities. Having a high-level overarching framework agreement – endorsed by all federal-provincial/territorial governments through the Forum of Labour Market Ministers – would strengthen Canada's public employment service programming and call attention to the role it plays as a *public service*.

### CONSOLIDATE THE FOUR AGREEMENTS INTO ONE AGREEMENT

A framework agreement could then be complemented by bilateral agreements between the Government of Canada and each province and territory that would spell out the precise federal-provincial/territorial funding and accountability arrangements for that jurisdiction and authorize the flow of federal funding. This single bilateral agreement would, in effect, consolidate the current LMDA/LMA/CJFA/LMAPD and TIOW agreements into one labour market agreement for each province and territory. Within it, there could be different streams for different client groups, customized around programming priorities for that jurisdiction, drawing on the multilateral agreement with respect to accountability, reporting, funding arrangements and expected results.

The agreement should have flexibility so that a province or territory could reallocate funds, say from workers with disabilities to older workers should conditions dictate. Such consolidation would not only reduce transaction costs, it would ensure that the public employment service within each province and territory was managed holistically and strategically under the control of a single government department. It would also ensure that all

labour force participants are treated equitably, rather than in silos. As a single consolidated entity, the public employment service would take its place alongside other important provincial social programs like health care, education and social services. A single labour market transfer would be identified in the federal budget alongside equalization, the Canada Health Transfer and the Canada Social Transfer.

### *DEVOLVE RESPONSIBILITY FOR FEDERAL YOUTH AND DISABILITY PROGRAMMING*

The Government of Canada retained youth and disability programming in the 1990s in order to demonstrate its continuing commitment to these particular client groups in light of significant federal downsizing undertaken through the 1995 federal budget. More than 10 years later, the Conservatives offered to transfer the programs to provinces and territories; however, ultimately no action was taken. While provinces and territories were interested, national disability organizations and some community youth groups were opposed.

There are many benefits to devolving these programs to provinces, territories and Aboriginal labour market organizations and integrating them into the single labour market agreement. It would streamline programming and reduce overlap, duplication and fragmentation. It would reaffirm provincial, territorial and Aboriginal responsibility for public employment service design and delivery. Service Canada offices would no longer need to let and manage contracts. Community-based employment organizations would face a single government in negotiating services, as opposed to two with different contracting arrangements. It would make Canada's public employment service programs much easier for the public to understand and access.

Not all components of federal youth and disability programming should be devolved: only those dealing with direct client services that run parallel to provincial, territorial and Aboriginal programming. Responsibility for pan-Canadian coordination of youth and disability programming should remain federal. In addition, initiatives where the Government of Canada is the employer should also remain federal. This would include the Federal Student Work Experience Program, which provides students with the opportunity to explore their interests and develop their skills with the Government of Canada.

There are many challenges with this recommendation. The Government of Canada would lose a key mechanism to demonstrate its relevance to Canadians. The action goes in the opposite direction of recent Liberal commitments to youth (through enhanced funding of the Youth Employment Strategy and the establishment of the new Youth Council) and persons with disabilities (through a Canadians with Disabilities Act). Disability organizations, in particular, may view this as a further federal retreat from meeting the needs of persons with disabilities.

For this recommendation to be viable, the pan-Canadian framework and each federal-provincial/territorial agreement would need to clearly identify how youth and persons with disabilities would be served through the new arrangements. A change this dramatic would present an ideal opportunity to reaffirm signage and communications so that Canadians are aware of the contribution of the Government of Canada to the provincial, territorial and Aboriginal public employment service programming.

### *REAFFIRM THE FEDERAL STEWARDSHIP AND COORDINATION ROLES*

The Government of Canada has a clear stewardship role as it applies to the public employment service given its constitutional authority for Employment Insurance (and related employment services) as well as the fact that it controls most of the money. It is therefore essential that the provisions in the federal-provincial/territorial and federal-Aboriginal agreements foster an accountability regime that promotes transparency, justification, compliance and enforcement, *and* meets the needs of Canadians using the services. Certainly, it would be much easier to achieve these objectives on the provincial/territorial side if there were only *one* labour market agreement in place of the current four. Consolidating the agreements provides an opportunity to reassess our entire approach to accountability, taking into account best practice lessons on collegial monitoring and benchmarking as used in the education and health care sector in Canada and in other federal political systems.

Pan-Canadian programming, such as labour market partnerships, the Job Bank, labour market information, literacy and labour mobility, has deteriorated significantly post-devolution – in part because of federal funding cutbacks, in part because of the ideological orientation of the previous Conservative government, and in part because of the resistance of provinces and territories to a stronger federal role. Conversations to reaffirm the unique federal role post-devolution need to occur. There are many aspects of the public employment service that cannot be devolved to provinces,

territories and Aboriginal organizations. Ottawa is the only government with the legitimacy and capacity to convene national conversations on public employment service matters and facilitate coordination across the highly decentralized systems that are now in place.

### *RESTORE THE NATIONAL ABORIGINAL LABOUR MARKET MANAGEMENT BOARD*

ASETS holders are completely dependent upon the Government of Canada for their funding, with the money coming through individual contribution agreements between each ASETS holder and the Government of Canada. Unlike the Forum of Labour Market Ministers that manages the federal-provincial/territorial relationship, there are no pan-Canadian, pan-Aboriginal structures to manage the federal-Aboriginal relationship in labour market matters.

As a result, over the past decade the Government of Canada has become more controlling, unilaterally implementing programs such as the Skills and Partnership Fund and the First Nations Job Fund. It has also increased direct oversight, monitoring and correction of expenditures by federal officials. Given the power imbalance, there has been little evidence of 'co-production' of policy as was aspired to in the early days of the federal-Aboriginal agreements.

While Aboriginal labour market delivery organizations are not provincial governments, neither are they merely hired contractors delivering a federally-designed program. The Liberals have pledged to rebuild the relationship between the federal government and Indigenous peoples. On the labour market front, rebuilding Aboriginal autonomy could be significantly enhanced by restoring an old institution – the *National Aboriginal Labour Market Management Board* – as a way for ASETS holders to organize among themselves on a pan-Canadian and pan-Aboriginal basis to enhance their capacity to negotiate with their key funder, the Government of Canada.

Not only would this proposal provide a way to improve federal-Aboriginal relationships and facilitate best practice learning among ASETS holders, it would also provide a way to develop protocols with provinces and territories. These are needed on a pan-Canadian basis with the Forum of Labour Market Ministers, as well as between ASETS holders and each of their respective provincial and territorial governments.

### *DEVELOP A NATIONAL LABOUR MARKET PARTNERS' COUNCIL*

There are many stakeholders with an interest in the public employment service. At the top of the list is business and organized labour, whose member contributions to the Employment Insurance account pay for most public employment service costs. Their input has been somewhat institutionalized over the past 75 years through the appointment of a Commissioner for Workers and a Commissioner for Employers to the Employment Insurance Commission. However, other stakeholders do not have this kind of access. They include community-based employment service providers; public colleges and postsecondary institutions; private employment service providers; organizations representing vulnerable workers; career development practitioners and other professional organizations; and experts, academics and think tanks.

Haddow and Sharpe edited an entire book in 1997 that brought together many views detailing Canada's failed experiment with labour force development boards. While a number of reasons for failure were identified, the most important factor seemed to be unwillingness on the part of politicians to pursue new policy directions and give over power to non-elected representatives. It is 20 years later and we now have examples of successful labour market boards in Canada from which to draw best practice lessons, especially Québec's *Commission des partenaires du marché du travail* and the Manitoba Advisory Council on Workforce Development.

For many years, the Canadian Labour Congress has promoted the establishment of a National Labour Market Partners' Council. Such a body would ensure that public employment services are more attuned to stakeholder needs. It would also demonstrate that Canada is back in compliance with International Labour Office Convention 88. The Council would need to be carefully designed, including membership, objectives and programming scope. It would also need to be directly linked to the Forum of Labour Market Ministers, Aboriginal labour market organizations and the Employment Insurance Commissioners through a defined protocol.

One of the key roles of the Council would be to assist governments in developing, maintaining and growing the pan-Canadian labour market framework agreement identified earlier in this paper. Given the differences in regional labour markets in Canada – including the incidence of unem-

ployment – it is almost impossible for governments to do this on their own. Some of the most important issues to be considered in 2016 include the use of Employment Insurance vs. Consolidated Revenue Funding for public employment services; how increased federal funding would be distributed across Canada; the balance between training and other employment services; and the balance between serving employed workers and the unemployed (for suggestions in these areas, see Wood and Hayes, 2016 and Morden 2016).

## *INCLUDE COMPARATIVE RESEARCH IN THE MANDATE OF THE LABOUR MARKET INFORMATION COUNCIL*

In an article co-written with Tom Klassen that was published online in 2011, we urged governments to create a new agency – which we called the Canadian Labour Market Information Agency – as well as increase the capacity of the Forum of Labour Market Ministers. Considerable progress has been made in both of these areas over the past five years. The Forum of Labour Market Ministers has clearly re-energized itself due, in part, to provinces and territories coming together in opposition to the federal Canada Job Grant. The promised new Labour Market Information Council and its stakeholder advisory committee and permanent secretariat are encouraging initiatives with respect to the collection and dissemination of labour market information.

However, what remains unclear is the role the Council will play in data gathering and comparative research emanating from the accountability provisions in the various agreements; monitoring and sharing best practices; assessing trends and policies across Canada and internationally; undertaking research; and evaluating results. This role needs to be assigned either to the Labour Market Information Council or to another neutral and relatively independent entity that works alongside *all* governments as well as Aboriginal labour market organizations.

These functions cannot be left to chance nor can they be assumed by the Government of Canada. Overseeing these kinds of activities is highly challenging in federations like Canada's, comprising semi-sovereign governments that do not accept control from the centre. The European Union has overcome this difficulty through its Open Method of Coordination. The Council of Ministers of Education Canada successfully performs this role in K-12 education [Wallner 2013]. By contrast, the Health Council of Canada was unsuccessful and ultimately closed [Farfard 2013]. All of these experiences should be examined in detail for best practice lessons.

## CONCLUSION

Canada is now into Phase three of public employment service reform. Phase one under the Liberals involved the negotiation of devolved LMDA agreements in eight jurisdictions between 1996 and 2006, setting up and supporting Aboriginal labour market organizations, and establishing pan-Canadian research organizations to assure a federal leadership role. Phase two under the Conservatives between 2006 and 2015 involved consolidation of the delivery architecture through devolved LMDAs in the remaining five jurisdictions and implementation of the LMAs.

However, the Conservatives left much unfinished business in that they ultimately did not transfer responsibility for youth and disability programming to the provinces and territories as promised, thereby retaining a fragmented system. Federal relationships with Aboriginal labour market organizations became more controlling and fraught. The Conservatives also undermined the federal role and federalism by reducing funding for pan-Canadian initiatives, closing research institutions and unilaterally trying to implement a Canada Job Grant.

More needs to be done to integrate vulnerable groups such as persons with disabilities, Aboriginal people, youth, social assistance recipients, and older workers into the workforce. Better ways than the Canada Job Grant need to be found to increase employer investment in training. Investing in the public employment service is important because it contributes to the country's labour market performance. While the demand for workers in 2016 is – in general terms – far below the supply of job seekers, paradoxically there are jobs going unfilled because there is a lack of workers with the skills that employers need. Not only does the public employment service help develop these skills, but by facilitating job matching, it provides incentives for unemployed individuals to take up jobs and help employers fill vacancies more efficiently.

The ideas heard in response to the summer labour market consultations should provide direction to governments on the *content* of future public employment service policies. However, its overall *governance* architecture also needs to be strengthened. Proposals include:

- developing an overarching policy framework

- reducing the number of funding agreements
- realigning some federal responsibilities
- reaffirming the federal stewardship role
- improving Aboriginal capacity to manage the programs under their direct control
- enhancing stakeholder input into the programming
- ensuring best practice learning through comparative research.

The Liberal government's willingness to invest in the public employment service is much welcomed. Hopefully, the proposals in this paper will prove useful as governments and other stakeholders work to reform our labour market programs for the 21<sup>st</sup> century.

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