All Together Now: Intergovernmental Relations in Canada’s Labour Market Sector

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ABOUT THIS STUDY

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SUMMARY

For decades, the federal and provincial governments have both been involved in labour market policy and programs in Canada. The federal government took the position that it is necessary to have a national public employment service that helps match supply and demand. It has carried out this function through information, placement and active support measures. Provincial governments, which have exclusive constitutional responsibility for education, have long had training and related programs that they believe respond more effectively to regional and local conditions.

In this study, Andrew McDougall reviews the evolution of federal-provincial interaction with regard to labour market policy. The overlap within the sector has led to what he describes as a byzantine web of programs, intergovernmental agreements and transfer payments, all of which have changed significantly over time.

Even before the attempts at constitutional reform that began in the late 1960s, the Quebec government argued that the federal government should not be providing training programs. In response to the close result of the 1995 Quebec referendum on sovereignty-association and pressures from some other provinces, the federal government began the process of devolving training. The result was a series of intergovernmental agreements governing the transfer of responsibility and funds to the provincial governments. The federal government nevertheless remained involved in programs for Indigenous people, youth and people with disabilities. During the devolution period and subsequently, the Forum of Labour Market Ministers (FLMM) has played an important role in intergovernmental relations in this sector.

The study reviews three major developments since the election of the Liberal government in 2015. Workforce Development Agreements, which bundled together three previous intergovernmental agreements, were negotiated with each of the provinces and territories. Their aim is to simplify the allocation of federal funding and allow greater flexibility in program delivery.

The Labour Market Information Council was established in 2017 to improve the timeliness, reliability and accessibility of labour market information. As McDougall explains, the potential value of such a council had been identified in a 2009 report commissioned by the FLMM, which endorsed its creation shortly before the change of government in 2015. The council’s board of directors includes representatives from the federal government and all provinces and territories.

The Future Skills Centre was created in 2019 to identify emerging workforce trends and how best to test different approaches to skills development. Although provincial governments are not involved in its governance, McDougall reports that they have not objected to this federal initiative.
Based in part on these three cases, he concludes that strong intergovernmental cooperation has become the norm in this sector. What was at times a zero-sum federal-provincial fight has shifted to a situation where governments work in concert to address enduring problems. Moreover, while disagreements have not disappeared, governments have been keeping them largely out of the public eye.

RÉSUMÉ

Depuis maintenant plusieurs décennies, les gouvernements fédéral et provinciaux investissent tous deux dans des programmes et des politiques du marché du travail. Ottawa avait jugé nécessaire de créer un service d’emploi public national pour jumeler l’offre et la demande, et pour ce faire, il a favorisé l’information, le placement et le soutien actif à l’emploi. Quant aux provinces, qui détiennent la responsabilité constitutionnelle exclusive en éducation, elles financent de longue date des mesures et des programmes de formation qu’elles estiment mieux adaptés à leur contexte local et régional.

Dans cette étude, Andrew McDougall retrace l’évolution des interactions fédérales-provinciales au chapitre des politiques du marché du travail. Les chevauchements dans ce secteur en sont venus à former ce qu’il appelle un labyrinthe de programmes, d’accords intergouvernementaux et de paiements de transfert, qui tous ont subi en outre d’importantes modifications au fil du temps.

Même avant les premières tentatives de réforme constitutionnelle de la fin des années 1960, le Québec s’opposait à la prestation de programmes de formation par le gouvernement fédéral. Face au résultat serré du référendum de 1995 sur la souveraineté du Québec, et sous la pression exercée par d’autres provinces, Ottawa a entrepris de déléguer des pouvoirs dans le secteur de la formation, ce qui a donné lieu à une série d’accords intergouvernementaux régissant les transferts de fonds et de responsabilités vers les provinces. Toutefois, le gouvernement fédéral est resté actif dans les programmes destinés aux peuples autochtones, à la jeunesse et aux personnes handicapées. Au cours de la période de transferts et par la suite, le Forum des ministres du marché du travail (FMMT) a joué un rôle important dans les relations intergouvernementales en ce domaine.

L’auteur examine trois évolutions majeures intervenues depuis l’élection du gouvernement libéral en 2015. Il y a eu tout d’abord la négociation des ententes sur le développement de la main-d’œuvre avec chaque province et territoire, qui a permis de regrouper trois accords intergouvernementaux antérieurs en vue de simplifier l’attribution des fonds fédéraux et d’assouplir la prestation des programmes.

représentants des gouvernements fédéral et de chaque province et territoire siègent au conseil d'administration du CIMT.

Enfin, le Centre des compétences futures a été mis sur pied en 2019 pour repérer les nouvelles tendances du marché du travail et évaluer différentes approches de développement des compétences. Cette décision fédérale n’a soulevé aucune objection parmi les provinces, même si elles ne participent pas à la gouvernance du centre.

S’appuyant notamment sur ces trois initiatives, McDougall conclut qu’une solide coopération intergouvernementale est désormais la norme dans ce secteur. Au lieu des affrontements fédéraux-provinciaux à somme nulle auxquels nous assistions parfois, la situation actuelle se caractérise par une coopération entre gouvernements soucieux de tenter de régler des problèmes tenaces. Et bien que certaines divergences subsistent entre eux, ils évitent de les exposer sur la place publique.
INTRODUCTION

Canada’s labour market policy and programs are byzantine. Getting a complete picture of the field is notoriously difficult, even for those who have studied it for years. Much of this complexity stems from overlapping federal and provincial responsibilities in the sector. The overlap has led to a web of programs, intergovernmental agreements and transfer payments. It is a field that exemplifies the transparency and accountability challenges that come with intense intergovernmental interaction (Simmons and Graefe 2013). The field has also evolved significantly over the decades. The changes have at times reflected and at other times been isolated from wider developments in intergovernmental relations (IGR). ¹

Since the election of the Liberal government in 2015, there have been a number of important developments in intergovernmental funding arrangements and programs that support Canada’s labour market, for both job creation and training. In addition to changes to funding agreements with the provinces and territories, two new initiatives have been launched. The first, the Labour Market Information Council (LMIC), aims to ensure Canadians have better access to job data than in the past. The second, the Future Skills Centre, aims to bring a more experimental lens to program creation to find out what works in skills acquisition.

In this study, I argue that the changes of the past few years have proceeded with less political conflict between the two orders of government than in the past and more attention to finding pragmatic solutions to shared problems. This development represents a marked change from the 1990s and 2000s, when the two orders of government jostled for influence against the backdrop of contentious constitutional politics and reductions in federal program spending. As a result, governments have started to tackle more directly the operational problems that flow from having joint responsibilities and costs. Put another way, they are more focused on managing the high level of interdependence in Canada’s labour market policy and programs.

The study begins with an historical overview of the sector, with a focus on intergovernmental dynamics, to ground it in the constitutional context and summarize its evolution. It continues with a review of the period of devolution that began in 1996. This is followed by a discussion of changes introduced after the 2015 federal election. The conclusion draws some lessons from the post-2015 changes and underlines the significance of the more pragmatic and functional intergovernmental dynamics that have emerged.

The analysis of the recent changes to programs and funding arrangements relies on a number of sources: legislation, secondary literature, policy documents, backgrounders and media releases. In addition, I conducted interviews in 2018-19 with two federal public servants (one session), one public servant from Quebec, two British Columbia

¹ This study is dedicated to the memory of Donna Wood, a leading expert in the area of Canadian labour market policy, who offered guidance but sadly died prior to its publication.
government officials, two academics and the executive director of the LMIC. Although the observations gained from the interviews cannot be seen as representative, they nevertheless helped corroborate and expand on information from other sources.

FEDERALIZATION OF THE LABOUR MARKET SECTOR

Jurisdiction over labour market matters is de facto shared between the federal and provincial governments. Quebec and some other provincial governments have often argued that, in light of provincial governments’ exclusive jurisdiction over education, the federal government should not provide training programs. For its part, the federal government has long taken the position that it is necessary to have a national public employment service that helps match supply and demand in the labour market. It has carried out this function through information, placement and active support measures at local, regional and national levels.

Over the decades, there were pendulum shifts between Ottawa and the provinces on the issue of who should provide labour market services. These shifts can be divided into three broad phases. The first extended from the late 1960s to 1995 and was a period of truly cooperative federalism in which Ottawa worked with the provinces to set national standards. The period was nevertheless marked by growing tension as Ottawa found its role unaffordable and the provinces demanded more control. During the second period, from 1995 to 2015, the federal government committed itself to devolution of training and then proceeded to negotiate with the provinces a series of funding agreements. These put provincial governments in a clear leadership position, but the federal government retained an important role as the national voice. This period was marked by bargaining and credit seeking by governments, and was marred by fights over jurisdiction and program direction. From the 2015 federal election to 2019, intergovernmental relations in the sector have been driven less by the politics of devolution and instead have become more focused on questions of efficacy and functional concerns.

The earliest labour market programs were run by the provinces for unemployed soldiers after the First World War. During the Great Depression, operational responsibility for unemployment insurance (UI) shifted to Ottawa, as the provinces were unable to deal with the economic crisis. This move occurred without significant friction. In 1996, the federal government renamed this program Employment Insurance (EI).

The process of giving the federal government explicit authority over UI began with a recommendation to this effect from the Royal Commission on Dominion-Provincial Relations (known as the Rowell-Sirois commission), which ran from 1937 to 1940. In 1940, the Constitution Act, 1867 was amended to add UI to the list of federal powers. Part of the rationale for this was that unemployment affected some provinces far more than others.

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2 Three other provincial governments declined my request for an interview or did not respond to the request.
3 Constitution Act, 1867, section 91 (2A).
A national scheme for wealth redistribution, which was one of the objectives of UI, would ameliorate that concern. Although the above-noted amendment meant that the federal government became the lead player on unemployment issues, the provinces did not completely vacate the field. They remained the dominant players in the closely related area of education and skills, which is clearly connected to effective management of the labour market. Since then, the labour market sector has been rooted in the politics of IGR.

The period after the Second World War marked the beginning of an alphabet soup of programs, initiatives and bodies that have come and gone over time. Under the Unemployment Insurance Act, the federal government began paying benefits to the unemployed in 1942. The Act set up the Unemployment Insurance Commission (UIC), with three commissioners drawn from business, labour and the federal government. Advice on employment was supplied by an eight-member National Employment Committee, with three members from labour, three from business, one from the Canadian Legion and one from the League of Women’s Rights (Wood 2018, 23). A subordinate agency, the National Employment Service (NES), administered the programs that were transferred from provincial governments. Along with a dispute settlement mechanism, the system was intended to strike a balance among government, labour and business.

Overall, the system worked poorly. One problem was the contradiction between the responsibility for providing UI benefits and for placing clients in jobs. These functions are not the same, and the former can have the effect of reducing incentives to work if not properly managed (Pal 1988, 120; Wood 2018, 24).

By the middle of the 1960s, several developments led to a rethinking of the approach. To start, the federal government took the responsibility for employment away from the UIC, and the NES became an independent federal entity. “Manpower” and immigration were linked more directly in the Department of Manpower and Immigration, and the NES oversaw these services for UI claimants and the placement of immigrants (Wood 2018, 25). Perhaps more important, the government addressed squarely the issue of the responsibility for education and skills development, which remained with the provinces. Without some influence over that part of the policy that was the responsibility of the provinces, labour market policy (LMP) would never work effectively.

To that end, the federal government began to work with the provinces to support their programs for skills development and income support. This was the era of true “cooperative federalism,” in which governments were trying to solve common problems (Cameron and Simeon 2002, 49-50; Simeon and Robinson 2004). By 1966, the federal government was paying 50 percent of programs covered by the Canada Assistance Plan, which allowed the provinces to fund income supports and programs helping the unemployed get jobs. But it was not all rosy. The assertion in the 1960s by the Liberal government of Lester Pearson that it was Ottawa and not the provinces that had ultimate responsibility for employment caused tension with the provinces (Wood 2018, 27).

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4 I am in debt to an anonymous reviewer for this point.
5 I am deeply reliant on Donna Wood’s work for the history summarized here and wholeheartedly direct the interested reader to chapter 2 of her 2018 volume.
In 1965, the federal government began to provide training through the Canada Manpower Centres (CMCs) it set up across the country. This became a significant irritant as, for a number of provinces, Ottawa appeared to be overstepping its jurisdiction. This tension was compounded by the shift – in Canada and elsewhere – toward so-called “active” rather than “passive” labour market policies. (Active labour market policies emphasize helping job seekers acquire needed skills and education rather than providing unemployment benefits.) Federal actions reflecting this new focus led to disagreements with the provinces over who should have the lead in this field.

The give-and-take between the orders of government went on through the 1970s. Better coordination emerged following the creation in 1983 of a new intergovernmental body, the Forum of Labour Market Ministers (FLMM). The FLMM is traditionally cochaired by the federal minister and one from the provinces and territories, on a two-year rotating basis. Through the FLMM, fairly strong norms developed about how the orders of government should manage the sector (Wood and Hayes 2016; Schertzer, McDougall and Skogstad 2018).

In 1996, several trends coalesced to convince the federal government to begin devolving funding and responsibility for labour market training (Morden 2016, 5). One trend emerged from studies from organizations such as the OECD: their studies made a convincing case that job training programs should be run locally to take varied conditions into account. However responsive to local conditions the CMCs had become, they were still run from Ottawa (Wood 2018, 36). There was also considerable overlap and duplication with provincial training programs. For example, the federal and provincial governments were operating almost parallel youth programs (Wood 2018, 36). Furthermore, after the Liberals took power federally in 1993, they began a process of review – a “social security review” conducted by Human Resources and Development Canada and a government-wide “program review.”

The second major trend was the rise in support for Quebec separatism, which gave urgency to the devolution option. In response to the close result of the 1995 Quebec referendum on sovereignty-association and pressures from a number of other provinces, the federal government agreed to begin the process of devolving training to the provinces (Haddow 1998; Wood 2018, 36-41). The result was a transfer of responsibility and funds to the provinces, although the federal government refused to get out of the game entirely. It remained involved in programs for Indigenous people, youth and people with disabilities.6

These two trends led directly to severe budget cuts on the one hand and a new emphasis on finding cooperative solutions with the provinces on the other, something that the devolution of programs – and the use of less money – would help. It was during this time that “UI” became “EI.” The aim was to correct the image that the program supported unemployment (Wood 2018, 39).

6 Confidential interview, March 1, 2018.
The devolution of training programs can be seen as an example of what has been termed “federalization.” The term was first used by Mireille Paquet (2014, 2016) in the context of immigration. Federalization refers to a process of institutional change brought about by the greater involvement and actions of an increasing number of legitimate actors in a federal system. The process need not be zero-sum; it just means that more actors are involved.

The devolution process was widely heralded as an excellent example of the flexibility of Canadian federalism, in part because there were major differences among the ensuing agreements (Bakvis and Aucoin 2000, 2; Lazar 2002, 10). It is an open question whether or not this move had a lasting political impact in the eyes of the average Canadian, but devolution did mark an important transition in the way the field is managed.

DEVELOPMENTS FROM 1996 TO 2015

The devolution process led to a number of intergovernmental agreements on funding for training, unemployment and job support. Collectively they are referred to as the Labour Market Transfer Agreements (LMTAs). The first of these, titled Labour Market Development Agreements (LMDAs), fell into two categories. Some were fully devolved agreements, such as the one with Quebec, where there was no continuing federal management. However, some provinces opted for a certain level of continued federal involvement in running the programs; these were referred to as “comanaged” agreements (see box 1).

With LMDAs – the category of programs in the first row of box 1 – the federal government devolved responsibility for employment services for EI-eligible clients to the provinces along with the corresponding funding and staff positions (Wood and Hayes 2016, 6). Although devolution of labour market training was a longstanding demand of the Quebec government, the first agreement was actually reached with Alberta in 1996. Over the subsequent 14 years, all the provinces and territories reached their own LMDA with Ottawa.

For LMDAs, the first LMTA program, the negotiations were marked by considerable friction, reflecting the differing political orientations of the federal and provincial governments (for a good case study, see Haddow and Klassen 2006). The agreements were important in setting up the norm that the provinces would be the lead players in programming in the area, while allowing for federal government involvement to represent pan-Canadian interests. The choice of instrument, namely bilateral agreements respecting local particularities within a national framework and channelled through the FLMM, was also significant. This choice would set the stage for how the different orders of government would proceed in the future.

Still, while the LMDAs were being negotiated, a huge hole was left. The programs covered by the LMDAs are those connected to EI Part II benefits, or Employment Benefits and Support Measures (EBSMs). These programs were designed to serve people who were either
on EI benefits or had recently left the program. People who were not eligible for EI could not access the programs. In many ways, those eligible for EI are the people least in need of active labour market supports, since they have recently had a job and have skills. Missing from this picture were the non-EI-eligible clients and other populations that needed extra support to succeed in the labour market, such as older workers, Indigenous people, immigrants and recent recipients of social assistance (Wood and Hayes 2016, 6).

This gap led to a new set of six-year-long agreements, named Labour Market Agreements (LMAs), negotiated between the federal government and the provinces, to fund programs targeted at these populations (Morden 2016, 5). In 2006, the Conservative party took power under Prime Minister Stephen Harper. The same year, the federal government announced increased funding of $3 billion for these groups for the years 2008-14. The LMAs, renewed in 2012, reflected the Harper government’s view that each order of government should stay in its respective lane (on this “open federalism” policy of the Harper government, see Fox 2007).

Two other funding agreements were developed during this period. In 2003, existing programs for the disabled were succeeded by the Labour Market Agreements for Persons with Disabilities (LMAPDs), under which Ottawa matched provincial funding up to certain bilaterally set levels for specified initiatives (Wood 2018, 38). In 2006, Ottawa and the provinces launched the Targeted Initiative for Older Workers (TIOW). It

<table>
<thead>
<tr>
<th>Year</th>
<th>Agreement Name</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>1996</td>
<td>Labour Market Development Agreements (LMDAs)</td>
<td>Devolution agreements for programming for EI-eligible clients. First signed in 1996 with Alberta and eventually with all provinces and territories. They led either to complete transfer of training funding and staff or to comanagement with the federal government.</td>
</tr>
<tr>
<td>2003</td>
<td>Labour Market Agreements (LMAs)</td>
<td>Devolution agreements for programs for non-EI-eligible clients. Announced in 2003 with implementation beginning in 2008, they were later replaced with the Canada Job Fund Agreements.</td>
</tr>
<tr>
<td>2006</td>
<td>Targeted Initiative for Older Workers (TIOW)</td>
<td>Successor to the federal-provincial shared-cost Program for Older Worker Adjustment (1987), this initiative brought together programs to help older workers return to the labour force after their EI benefits expired. Consolidated into the Workforce Development Agreements.</td>
</tr>
<tr>
<td>2003</td>
<td>Labour Market Agreements for People with Disabilities (LMAPDs)</td>
<td>Originally the Vocational Rehabilitation for Disabled Persons Agreement (1961) and after 1997 the Employability Assistance for Persons with Disabilities, this program earmarks money for provincial programs for disabled persons. Consolidated into the Workforce Development Agreements.</td>
</tr>
<tr>
<td>2014</td>
<td>Canada Job Fund Agreements (CJFAs)</td>
<td>Replacing the LMAs, these agreements covered the same clients as the LMAs with a new focus on employer-led training. Now being consolidated into the Workforce Development Agreements.</td>
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<tr>
<td>2018</td>
<td>Workforce Development Agreements (WDAs)</td>
<td>Announced in Budget 2017, these agreements consolidate the LMAs (later Canada Job Fund Agreements), the TIOW and LMAPDs</td>
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had two particular objectives: to help workers between the ages of 55 and 65 to reskill after a period of unemployment in communities, and to assist such workers in finding jobs in areas with stronger economic conditions (Canada, Employment and Social Development 2016b).

In 2013, a controversy emerged with the announcement of the Canada Job Grant program by the federal government (Hayes 2014). The program was intended to transform LMAs into a more employer-led suite of programs. If an employer planned to hire a worker, the grant would offset some of the costs. However, the program ran into a wall of provincial opposition. The unilateral announcement ran counter to the expectation that such an initiative would first be brought to provincial governments through the FLMM. (The FLMM expressed its objections in a public statement [Forum of Labour Market Ministers 2013]). The program was also criticized because it seemed to incentivize the hiring of highly skilled workers rather than those in trouble. Eventually the federal government, which relied on the provinces to deliver the programs, had to compromise. As a result, LMAs were renamed and called Canada Job Fund Agreements. They committed the federal government to funding two-thirds of the grant and the employer the final third, but the program would be administered by provincial governments (Canada, Employment and Social Development 2016a).

At present, Canada’s labour market sector is one of the most devolved in the world (Wood 2018, 3-4). The federal government nevertheless remains the primary funder of the public employment service, plays a national steering role for overall policy and runs programs in a few important areas, including those dealing with immigrants and youth. It is also responsible for Indigenous programming, which is delivered through 85 Indigenous labour market organizations across Canada under the Indigenous Skills and Employment Training Program.

**CHANGES AFTER 2015**

When the federal Liberals took power in 2015, the programs and funding arrangements that supported the public employment service in Canada reflected years of intergovernmental conflict that left the programs confusing, fractured and subject to criticism. Among the most important issues were that the overlapping programs were confusing for Canadians, resources were not distributed equitably across the country, and benefits for EI-eligible and non-EI-eligible clients were not comparable. There was also a sense that much better labour market information (LMI) was needed to take local conditions into account (Morden 2016, 4).

Although labour market policy was not a prominent issue in the 2015 federal campaign, the new government moved quickly to make changes to the way the LMTAs were designed and delivered. The broad thrust of many of the initiatives has nevertheless

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7 A provincial source suggested that this angle had been overplayed to strengthen other objections. One goal of the Canada Job Grant was to encourage employer training, which in many provinces is considered a higher priority than job creation because of tight labour markets.
been consistent with the approach of the Harper government in that there is a focus on skills and active measures. However, the way the programs are funded has been changed, and new institutions have been set up. The Justin Trudeau government has proceeded with three major initiatives. The first consolidated three intergovernmental funding agreements into Workforce Development Agreements (WDAs), which were intended to simplify funding, allow for greater flexibility in how programs are delivered and reduce inequities. The second was the new Labour Market Information Council, or LMIC, which was mandated to generate better LMI. Finally, the Future Skills Centre was created to gain a clearer picture of what skills will be needed in the future.

Although the three initiatives can be traced to a number of sources, the Social Research Demonstration Corporation’s (SRDC) work on behalf of the FLMM was a key inspiration. The SRDC is a nonprofit organization created in 1991 to develop, test and evaluate new programs. Its mission is to identify programs and policies that can improve the lives of Canadians and to do so with a special emphasis on the disadvantaged (SRDC 2019). The FLMM commissioned the SRDC to carry out stakeholder consultations about the LMTAs. Overall, the picture it painted in the report was that the quality of LMI was high, as were the programs, and that things could be a lot worse. The report nevertheless included a number of complaints about the system and suggestions for improvement (SRDC 2016).

One of the report’s major suggestions was that the eligibility restrictions on EI be loosened and that the LMTAs connected with it – namely the LMAPDs, TiOW and CJFAs (or what were the LMAs) – be combined into a single agreement (SRDC 2016, 26-7). In addition, EI should be expanded to take a more national focus. In this regard, stakeholders argued that workers should not be ruled ineligible for the program simply because they had moved; they should be allowed to remain on EI if they moved to a place where their skills were in demand. The suggestions extended to other programs, namely the Youth Employment Strategy and the Opportunities Fund for Persons with Disabilities.

The SRDC also concluded that programs could be better tailored to a changing workforce (SRDC 2016, 8). Existing programs were hard to navigate and did not effectively meet people’s needs. More flexibility in program design was needed, and there were too many barriers to stakeholders’ access to programs. The report also called for greater use of nontraditional modes of delivery such as online courses and experiential workshops (SRDC 2016, 9).

The SRDC had other suggestions. One was simply to advertise the many things governments do to promote skills improvement. But better LMI was needed as well; this meant not just increasing awareness about the programs but also letting the public

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8 Although the SRDC had been specifically contracted by the FLMM to provide the summary included here, it was hardly the first to make these observations. Very similar recommendations were made the same year in a report by the Mowat Centre (Morden 2016). There are similar calls for reform of the intergovernmental funding arrangements in the 2012 Drummond Report on Ontario’s public services (Ontario 2012). Don Drummond later called for better LMI in an IRPP paper (2014).
know more generally what kinds of skills were needed and what people should train for (SRDC 2016, 19). This could only be undertaken with better communication with the private sector and other employers so that policy-makers could identify gaps.

In addition, the report called for the application process for labour market programs to be streamlined. The complexity of the programs was identified as a particular concern for small and medium-sized businesses, which may not have the resources or expertise to ensure that everything gets filled out correctly. Many businesses were expected to complete the same paperwork for different departments in order to access funding (SRDC 2016, 28-9).

The report also found the following:

- There was a lot of interest in making funding more accessible to employers so they could cover the costs of wages while they were training employees.
- The Canada Job Grant was overly focused on, and disproportionately benefited, those who had jobs rather than the unemployed (this concern had been raised by the provinces when the program was being developed).
- There were real problems with information about the programs, which had different names in different parts of the country, thus hindering access.
- The programs needed to provide more timely information to clients about labour market conditions.
- There was inadequate appreciation of the geography of the country and the challenges geography created, and more was needed to be done to service rural regions.
- More could be done to combat stigma surrounding job seeking.
- More emphasis should be placed on evidence-based programming.

Although much of the report was not new to policy-makers, it served an agenda-setting function that allowed the federal government to formulate a plan going forward. Indeed, soon after the report’s release, the government began to consolidate a number of the LMTAs and to create new institutions with the provinces that would generate higher-quality LMI.

**Workforce Development Agreements**

The government had indicated in Budget 2016 that it wanted to meet with the provinces to improve the CJFA and the LMDAs, and in Budget 2017 (Canada, Department of Finance 2017) it made skills and innovation a priority. This led to consultations through the FLMM Labour Market Transfer Agreements Working Group. The government started the consultation process early to ensure the provinces were given adequate notice of the subsequent federal announcements of proposed changes to the LMTAs, which was not the case following the announcement of the CJFA.

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9 Telephone interview with Steven Johnson and Rhonda Fernandes, Employment and Social Development Canada, August 8, 2018.
10 Email exchange with EDSC official, December 7, 2019. This was echoed by some of the provincial government interviewees.
The proposal bundled three LMTAs – LMAs/CJFA, TIOW and LMAPDs – into what became the WDAs. The LMDAs were to be kept separate, and eligibility for the programs and services was broadened. For the WDAs, the government proposed a standard offer and dealt with each of the provinces and territories individually. The result was a series of bilateral agreements within a national framework, replacing the previous bilateral agreements. Since the programs funded under the agreements are provincially run, having them all separate made planning more difficult. Consolidation would also make it easier for the provinces to allocate the federal funding. In addition to the $722 million that would have been transferred to provinces and territories through the WDAs for the period from 2017-18 to 2022-23, Budget 2017 provided for an additional $900 million for programs aimed at upgrading skills (Canada, Employment and Social Development 2019a).

WDAs have been reached with all provinces and territories (see Canada, Employment and Social Development 2019b, c). Negotiations with Quebec were more of a struggle because the provincial government wanted to protect some unique pilot programs for seasonal workers. The purpose of these programs was to ensure that incomes for recipients remained close to what they would receive if they were on EI. The differences thus arose out of program design rather than a larger jurisdictional disagreement over the province’s place in the federation.

In August 2019, the federal and Quebec governments reached an additional agreement to transfer to the Quebec government what the federal government had been spending on youth employment measures. The funding amounts to $135 million over five years, starting in April 2020. In his announcement, the Quebec minister emphasized that his government had been seeking such an agreement for 20 years (Québec, Travail, Emploi et Solidarité sociale 2019).

In the 2017 budget, the federal government announced it would provide an additional $1.8 billion over the period 2017-18 to 2022-23 to support the programs that the LMDAs support. These programs are principally ones for EI-eligible recipients who are seeking to return to work (Canada, Department of Finance 2017, 53). Eligibility criteria have been loosened to include anyone who has made the minimum EI contributions for 5 of the last 10 years to access benefits such as wage subsidies or skills training. Eligibility for Employment Assistance Services (EAS) such as employment counselling or job search assistance – ordinarily only accessible by the unemployed – has also been expanded to include all employed persons. In addition, the rules have been made more flexible so that provincial governments, through the Labour Market Partnerships Initiative, can commit more money to allow employers to re-educate or improve employees’ skills.

In the March 2019 budget, the federal government pledged to introduce a number of tax credits, benefits and leave provisions to help Canadians invest in skills in order to remain employable. Once again, the focus is less on income supports and more on active policies to inform Canadians about what they need to do to get a job, where the jobs are and how best to get one (Canada, Department of Finance 2019).
The general view of officials who were interviewed for this project is that the WDA negotiations were quite productive, with some regional variation but little drama. There has been less politics around the negotiations and the focus has been more on resolving outstanding disputes and problems that have been identified over the last several years.

The cooperation has been remarkable given the tensions in federal-provincial relations in other areas, most notably carbon pricing. This suggests that the institutions and norms in the labour market sector are working well and helping the different governments advance their objectives.

**Labour Market Information Council**

In 2009, the FLMM commissioned a report on how to improve the accessibility of LMI. The Advisory Panel on Labour Market Information was led by labour economist Don Drummond.

The broad thrust of the Drummond report was that, although Canada’s system for collecting LMI was adequate, it could do a better job of providing information on job vacancies to employers and job seekers. The report’s authors were also keenly aware that the LMI system is not the responsibility of any one jurisdiction and that improving it would require a collaborative approach. While the report said that the FLMM needed to play a coordinating role, it also suggested that more was needed to ensure that there was a common, national approach. However, the politics would be tricky:

> We are mindful that there will be many challenges for the FLMM to play the kind of coordination role that we recommend. It will need to add a core, secretariat capacity. It will need to balance the needs of a national LMI system with the imperative of respecting the roles of each jurisdiction. Perhaps above all, the process will require abundant good will on the part of all parties. The provinces with the more advanced LMI systems will need to share the benefits of their experiences. Other jurisdictions will need to do what they can to advance the development of their LMI systems. But it will need to be recognized that there are considerable disparities in available resources across jurisdictions. Yet we believe that a collaborative approach across the federation will bestow benefits to the residents of all jurisdictions. (Advisory Panel on Labour Market Information 2009, v)

The panel called for an additional $49.4 million to be invested in upgrading the country’s LMI system. The panel recommended putting a particular emphasis on better education data, a better job bank and a 10 percent increase in the funding given to Statistics Canada to improve LMI (2009, xii).

Initially there was no uptake on the recommendations. Nevertheless, the FLMM returned to the issue in 2014 with the publication of a common framework for better LMI (Forum of Labour Market Ministers 2014, 2016). The LMIC expressed the view that
although considerable information on the labour market was available, it was not in a form that was useful to people who needed it. More could be done to help jobseekers learn where jobs were, employers learn where talent was and policy-makers learn how to build better programs.

At root, though, the initiative still had to take into account the political context or it would never fly. In other words, it could not do what some stakeholders had suggested to Drummond and the SRDC. It could not centralize at the expense of the provinces and to the benefit of the federal government. As a result, to improve policy outputs, creative thinking was needed.

In July 2015, the FLMM endorsed the creation of the LMIC. In June 2016, it approved a business plan, and the LMIC was established as a not-for-profit corporation in April 2017 (Labour Market Information Council 2018c). The mandate of the LMIC is “to improve the timeliness, reliability and accessibility of labour market information to facilitate decision-making by employers, workers, job seekers, academics, policy-makers, educators, career practitioners, students, parents and under-represented populations” (Labour Market Information Council 2018a).

It was clear that the council would need to involve all the jurisdictions but not be under the control of any. This is reflected in the LMIC’s novel governance structure. Its board of directors includes representatives from all the provinces and territories, Statistics Canada, and Employment and Social Development Canada (ESDC) (Forum of Labour Market Ministers 2016, 1). The LMIC thus operates independently from the governments represented on the FLMM but is in some ways accountable to them.

The LMIC also receives advice on priorities from a National Stakeholder Advisory Panel (NSAP) composed of nongovernmental stakeholders who have been identified as possessing valuable perspectives on the field. This group provides the LMIC with guidance on specific priorities on an annual basis (Labour Market Information Council 2018b). Some NSAP members will also be part of the Labour Market Information Expert Panel, which will provide guidance to the LMIC as needed (Labour Market Information Council 2018b).

The LMIC’s executive director is Steven Tobin, a well-known labour economist with an international reputation. In an interview, he pointed out that, even when people share the same information, they may process that information differently. “Someone who is in high school, for example,” he said “may want hourly wage information whereas a mid-career worker may prefer to know the annual salary or the amount of two-week take-home pay. And so we want to make the [information] available to Canadians but also in a variety of forms so that it addresses the unique needs of different users.”

It has been argued that most of what falls under the LMIC’s mandate could be done by Statistics Canada. When asked about this in 2018, Tobin responded that the LMIC is meant more to ensure that information addresses and respects the various needs of

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different groups trying to make career and workplace decisions. There is, as a result, a real promotional aspect to the LMIC. Perhaps more importantly, part of its mandate is to bring the information to groups that might be underserved by a national statistics body – in essence, providing better tailoring of information.

A related question is why the FLMM could not do a better job of promoting access to LMI. One possible answer was that the LMIC would prevent governments from getting involved. However, Tobin pushed back at the notion that this was done to avoid political interference in the gathering or dissemination of labour market statistics. Rather, he argued that the autonomy of the organization was more for basic, functional considerations than out of any fear of politicians. For example, the LMIC’s not-for-profit status provides it with the administrative flexibility that government departments lack to undertake its mandate.  

If the argument about functional considerations holds, this again reflects the growing trust between different orders of government in managing the sector. It seems less important to demonstrate political “ownership” than in the past. Rather, a more hands-off approach will suffice, and operational considerations can take centre stage. Being at arm’s length also should allow it to serve all governments without appearing to reduce any of their authority.

**Future Skills Centre**

The SRDC report identified a need to better determine “what works” when it comes to testing new ideas for programs and skill development. This is the mandate of the Future Skills Centre. Although the idea for such a centre emerged at the same time as the proposal to establish what became the LMIC, the proposal languished under the Harper government. It was picked up later, to much fanfare, in 2018. The centre is part of a broader initiative known as Future Skills (Canada, Employment and Social Development 2018a) and has two components: the centre and the Future Skills Council.

The centre is supposed to be a forward-looking organization, one that is in a position to look over the horizon to identify what trends are emerging so it can help policy-makers develop programs and policies aimed at ensuring Canadians have the right skills. The focus is on identifying not just what skills are needed, but also how to test different approaches to skills development to find out how people best acquire them.

The centre was initially intended to be a stand-alone organization. It was subsequently decided that it would be housed at Toronto’s Ryerson University in partnership with Blueprint, a research organization, and the Conference Board of Canada (Shen 2019). The centre has three key objectives: experimentation and research, with a focus on measurement; partnership development; and “dissemination of evidence of in-demand skills and effective training practices to support replication and scaling of

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12 Tobin interview.
practices that have shown results.” From a resourcing standpoint, it seems to be well financed. The federal government has committed $225 million in the four-year period 2018-22 and $75 million thereafter (Canada, Employment and Social Development 2018b; Canada, Department of Finance 2017, 57).

The centre will still focus on groups traditionally disadvantaged in the workforce. The request for proposals specified that 50 percent of its funding is to be dedicated to programs aimed at such groups, such as the young (guaranteed up to 20 percent of the funds) and Indigenous peoples. Other objectives include working with third-party organizations to get better funding, offer projections of future skills, provide advice on “what works” and so forth. Overall, the hope is Canadians will gain better access to training and get a better sense of the future of the labour market.

As with the LMIC, the centre is intended to operate at arm’s length from government, although it differs in that it does not partner with the provinces. At the moment, it is run by a senior management team and is governed by an interim advisory board, an executive council that includes leadership from partner organizations, and specialized subcommittees (Future Skills Centre 2019). Its independence reflects the need for the centre to be able to run experiments with a minimum of interference. This independence extends to matters such as staffing and day-to-day management. Still, although the provinces are not involved, it has not elicited any backlash from other orders of government. It does not interfere with provincially led programs in any way that would generate objections. In that sense, it fits with the norms of cooperation in the sector that have developed over the last several years.

Still, the centre has its critics. Some have argued it is flawed because it has not yet engaged meaningfully with the provinces, which provide most training programs (for an excellent discussion based on what is needed to make a “skills lab” a success, see Parkin, Hartmann and Morden 2017). Others have argued that Statistics Canada could do this work for less money and effort (Sa 2018). Furthermore, why not use the Social Sciences and Humanities Research Council of Canada for the stated objectives, given that its mandate includes knowledge mobilization (Sa 2018)? Others have flat out said that there is almost no chance that the organization will be able to do all it is supposed to do despite the resources it is being given (Usher 2018). Finally, in aiming to present itself as an oracle of what skills will be needed in the future, it leaves itself open to being criticized for a certain type of crystal-ball thinking.

In an interview, federal officials suggested that these concerns are a misunderstanding of what the centre is intended to do, which is to stay on top of emerging trends and test projects aimed at skills acquisition. In this regard, in April 2019 the centre awarded $11.6 million for six projects, all of which have private or public sector partners

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14 “Request for Proposals: Future Skills Centre.”
15 Comment by Johnson, interview with him and Fernandes.
16 Johnson and Fernandes interview.
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(Future Skills Centre 2019). The projects focus on undervalued professionals and credential recognition, Indigenous people, new immigrants, youth, finding technology jobs for those with non-STEM backgrounds and curriculum development. In July 2019, the centre announced funding of $7.65 million for 10 projects to develop, test and measure innovative approaches to supporting mid-career workers who have been displaced by changes in the labour market, are at risk of being replaced or who will face new job requirements in the future. A further call for proposals was issued in August 2019 to identify, test and evaluate innovative projects with the potential to generate evidence about how to better equip Canadians with the skills required to navigate a fast-changing labour market (Future Skills Centre 2019).

The announcements shed some light on the directions the centre intends to take and the types of projects it is interested in funding. For now, most observers will watch to see how the projects develop and how useful the results end up being.

CONCLUSION

Since 2015, the federal government has addressed certain major issues in the labour market sector that have been on the agenda for some time. One notable development is the level of consensus that both orders of government have achieved on the need for the three major changes I review above and how to achieve them. Given the history of this sector, with its pendulum swings between the two orders of government and the fraught period of devolution, one would have expected greater intergovernmental conflict over the past several years. This is especially unexpected given that in other areas, such as environmental protection, tensions with provincial governments rose during the same period.

As each of the three changes proceeded, the intergovernmental dynamics differed. Reform of the LMTAs was initiated by Ottawa, but there was proper consultation with the provinces through the FLMM before bilateral negotiations with each government began. Although it might seem to make sense to strengthen the FLMM, the tendency to move toward bilateral negotiations in each province as the negotiations advance suggests that governments are satisfied with the way that body is now working. The WDAs keep a national vision intact while respecting provincial particularities and interests. The LMIC is an effective response to the need for better LMI. All governments sit on its board of directors, but the council’s operational independence has been safeguarded through its institutional design. The Future Skills Centre is a federal-only initiative, but it has not met with any objections from the provinces. This may be because its mandate is to test different approaches to skills development and make the public aware of how they can acquire skills that are most in demand.

The post-2015 transition reflects the maturity of the IGR in this sector. Strong intergovernmental collaboration has become the norm. This new norm respects provincial leadership in the design and delivery of most programs, but it also recognizes the federal role in funding and responding to national interests. What was previously more or
less a zero-sum fight over power and jurisdiction has shifted to a situation where governments work in concert, cooperating through established institutions and processes. This is important because now even more than in the past, Canada’s labour market sector is characterized by a high degree of policy and program interdependence.

A further development is that the recent changes have happened mostly out of the public eye. The devolution of training programs in the 1990s was done publicly, with considerable fanfare, to demonstrate that federalism was flexible and that Quebec and other provinces were getting responsibilities they had long been demanding. The intergovernmental negotiations and discussions associated with the changes discussed in this study attracted much less public attention.

It remains to be seen how successful the latest changes will be. For now, it appears that governments are no longer quibbling over who should do what. They have moved to a new phase in which they are focused on working together to develop innovative responses to enduring problems, while keeping political disagreements largely out of the public eye.
REFERENCES


SRDC (see Social Research and Demonstration Corporation).


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