



Work Network

Shifting Roles: Active Labour Market Policy in Canada under the Labour Market Development Agreements

A Conference Report

HARVEY LAZAR



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Foreword

Active labour market measures are intended to help people overcome the challenges they face in the labour market. The specific measures required vary with the state of the labour market and the characteristics of the people seeking employment. In times of high employment, the focus is on skill development. In times of high unemployment, a high priority goes to job search and placement supports, business start-up assistance, and other measures. Traditionally, both federal and provincial governments have offered programming in these areas, with the federal contribution being funded mainly under Part 2 of the *Employment Insurance Act*.

In 1996, the *Employment Insurance Act* was amended in ways that restricted eligibility for employment insurance (EI) and thus for the active measures. At the same time, the federal government announced its willingness to devolve responsibility for delivering active measures to the provinces, while transferring the EI funds needed to pay for them. Alberta was the first jurisdiction to sign a Labour Market Development Agreement (LMDA) in December 1996, followed shortly by most other jurisdictions, although details of the agreements varied considerably from one province to another.

In February 2002, Alberta Human Resources and Employment and CPRN convened a conference in Edmonton to review the experience with the agreements over the past five years and to consider how the needs of Canadian workers have evolved over that time frame. The conference was attended by federal-provincial-territorial officials, academics and representatives from social policy think tanks, business, labour, training institutions and community organisations. The conference chair was Dr. Naomi Alboim, who is a Fellow with the School of Policy Studies at Queen's University and a public policy consultant.

In this paper, Dr. Harvey Lazar, the conference rapporteur, synthesizes the contributions made by conference presenters and participants. He also maps a

forward agenda for governments and researchers, taking into account the implications of the Labour Market Development Agreements for public policy, for federalism and for citizen involvement in how labour markets are shaped in Canada.

I want to thank Dr. Lazar (who is the Executive Director of the Institute for Intergovernmental Relations at Queen's University) for serving as the conference rapporteur, and Dr. Naomi Alboim for her role as conference chair. I also want to thank the presenters and many conference participants for their lively contributions to the proceedings, as well as the provincial and federal government officials who provided comments on an earlier version of this summary report. Finally, I would like to extend my appreciation to Alberta Human Resources and Employment for funding and helping to organize the conference.

Judith Maxwell
June 2002

Executive Summary

Federal and provincial governments have been in the business of providing active labour market programs to Canadians for several decades. Since the late 1990s, many of the services and benefits in this area have been designed and delivered by provincial/territorial governments within a framework of bilateral federal-provincial and federal-territorial agreements. While there was considerable intergovernmental acrimony around which order of government should control these programs in the years leading up to these agreements, they have received little public attention since then. It was thus timely that a conference was held in Edmonton in February 2002 to examine recent developments in active labour market policy in Canada and lessons flowing from the initial years of experience with the Labour Market Development Agreements. This paper reports and comments on the proceedings of that conference.

The Labour Market Development Agreements (LMDAs)

Part II of *the Employment Insurance Act* provides for Employment Benefits and Support Measures (EBSMs) to help unemployed people return to work. Employment benefits are long-term services that are available to unemployed persons who are currently or who have recently been eligible for Part I income support (i.e., employment insurance [EI] benefits). Support measures are short-term services available to all Canadians. Funding for all of these services comes from the Employment Insurance Account, which is paid for solely through employer and employee EI contributions.

In 1996, Ottawa began bilateral negotiations with the provinces and territories to establish partnerships for the delivery of Part II EI programs and services. The first LMDA was signed between Ottawa and Alberta in December 1996, and since then the federal government has signed bilateral LMDAs with all provinces and territories except Ontario. The agreements with Alberta,

Manitoba, New Brunswick, Quebec, Saskatchewan, the Northwest Territories and Nunavut are referred to as “fully-devolved” arrangements, while the agreements with British Columbia, Newfoundland and Labrador, Prince Edward Island and the Yukon entail “co-management.” The agreement with Nova Scotia is sometimes referred to as a “strategic partnership.” The asymmetry in these arrangements reflects the preferences of the provinces and territories at the time of the initial negotiations.

The EI Act requires that the effectiveness of the benefits and services be monitored and assessed and that annual reports be tabled in Parliament. Three performance indicators are mandated in these reports: the number of clients served, the number of clients who returned to work, and the savings to the EI Account as a result of clients returning to work. These indicators have a short-term focus. The EI Act also contemplates that federal and provincial/territorial governments will jointly develop medium-term indicators and other forms of evaluation.

Since the federal funding comes from the EI Account, people who are not or who have not recently been EI contributors are not eligible for employment measures. The ineligible include new immigrants, other new labour force entrants and people with little or no labour force involvement, often due to multiple barriers to entry. Prior to 1995, Human Resources Development Canada (HRDC) had funded large active labour market programs for these groups through the federal Consolidated Revenue Fund (CRF). CRF funding cutbacks in the 1995 budget, however, dramatically reduced the money available to these groups. Since then, HRDC has concentrated its remaining CRF dollars mainly on Aboriginal clients and youth, and also continues to finance a relatively small program for people with disabilities.

In total, the federal spending on active labour market measures (ALMMs), through the LMDAs and directly in Ontario, is around \$2.2 billion annually. Provincial and territorial governments are calling for expanded funding, through expanded Part II spending and additional CRF moneys.

With the above as context, the remainder of this summary highlights the different panel discussions in Edmonton. A detailed account of who said what is contained in the main report.

Panel 1: The Context and Background to the LMDAs

- In the first panel, **Chris O’Leary** of the W. E. Upjohn Institute for Employment Research discussed broad labour market trends in the OECD. He noted both the increase in labour market “flexibility” in Canada over the 1990s and the decline in spending on ALMMs. Whereas Canada had been one of the leading OECD spenders on ALMMs at the beginning of the 1990s, by 2000 it had fallen to a middle spender.
- **Rodney Haddow** (St. Francis Xavier University) focused on the executive dominance of government at both the federal and provincial levels. Because the LMDAs are agreements between the executives of the two orders of government, there is only a limited role for social partners in the way ALMMs function in Canada. Haddow also speculated about the benefits and risks of spending incremental dollars on active measures versus passive.
- Decentralization of ALMMs was raised in both presentations. Both Haddow and O’Leary were comfortable with the idea of labour market programs being devolved to the local level, although O’Leary noted that the experiences of other countries suggest that decentralization can be overdone. Equally, a need was expressed for an accountability relationship between local administrators and funding providers. The panel also discussed Canada’s performance in active programming. Haddow argued that English-speaking Canada lacks a strong societal commitment to technical training, although he also noted that the need for such training depends on whether the evolving industrial structure is creating the intermediate level jobs for which training is necessary.

Panel 2: Lessons Learned from the LMDAs

The second panel featured one federal and three provincial officials discussing their experience with LMDAs and the lessons learned.

- **Phil Jensen** (HRDC) noted the diversity of federal-provincial agreements and the absence of an agreement with Ontario. One result is considerable variation in the role played by the federal government in the different provinces and territories. He also discussed joint pilot projects under way with some provinces on information exchange and medium-term indicators.

Jensen declared that available evidence points to effective delivery, a growth in partnerships and high levels of client satisfaction. Nonetheless, HRDC has been working with the provinces to improve accountability measures. He also flagged the need to make sure that Canadians are fully aware of the federal contribution to ALMMs.

Jensen posed a series of questions. Are client needs being met? Are the right clients being served? Is programming responding to changing labour market conditions? Are governments taking advantage of private sector opportunities? Is the accountability framework the right one? And are resources being allocated to get the best possible results?

- **Heather Dickson** (Government of British Columbia) spoke of the BC-federal co-managed LMDA. She discussed the challenges in bringing two large bureaucracies together, highlighting the necessity of ongoing interagency communication, the need for adequate resources and authority to be delegated to those responsible for joint planning and priority setting, and the importance of developing clear roles and responsibilities. She noted that bottom-up joint target setting and resource allocation achieves local buy-in and a better allocation of funds. Dickson emphasized the need to provide services to clients with multiple barriers, to respond quickly to changing conditions in the resource industries, and to establish performance measures and standards for employment assistance services, especially for non-insured clients.
- **Jean-Yves Bourque** (Government of Quebec) discussed Quebec's full devolution LMDA with the federal government. Bourque provided basic information on the role that the Government of Quebec plays under the agreement and on the accountability regime. He declared that the LMDA improves the operation of the labour market, enables the people of Quebec to receive high quality services, and reduces duplication. He also noted that all LMDA-related targets had been met. Finally, Bourque indicated that the Government of Quebec wishes the agreement to continue and called for the removal of remaining duplication between federal and provincial governments, for enhanced federal funding, for broader client eligibility under EI Part II, and lower EI premiums.
- **Susan Williams** (Government of Alberta) discussed the Alberta labour market scene prior to the fully devolved LMDA with Ottawa. There had

been HRDC offices, a province-wide network of career development centres and, in the urban areas, co-located Canada-Alberta Service Centre sites. Alberta sought an LMDA because it saw the inherent efficiencies in the co-located sites and wanted these extended province-wide. Williams discussed the start-up challenges Alberta faced, including the transfer of federal personnel to the province, incompatibility of computer systems, privacy regulations, and EI claimants' lack of awareness of available services. In terms of achievements, Alberta has exceeded the required levels for all three standard performance indicators.

- In the subsequent discussion, there was an exchange about groups who were said to be under-served by ALMMs (women, youth, persons with disabilities, recent immigrants, single mothers, and Aboriginal peoples). On this point there was a tension between those speaking from the floor, who raised concerns about the needs of these groups, and the government panelists, who pointed to specific initiatives intended to service them. There was no disagreement, however, that many people in these groups are not eligible for LMDA-supported programs, often because of poor access to the labour market and consequently few (or no) contributions to the EI account. A related issue had to do with whether program evaluations were focusing adequately on the special needs of these groups.

Panel 3: Meeting Training and Skill Development Needs: LMDA-Supported Programs and Other Initiatives

- In the third panel **Wayne McElree** and **Rick Pawliw** from the Government of Saskatchewan discussed Saskatchewan's Training Strategy. Key themes in McElree's remarks included a collaborative relationship with the federal government and strong partnerships at the local level. Pawliw elaborated on this, focusing on the JobStart/Future Skills program. Components of the program include work-based training, an institutional quick response mechanism, and sector partnerships. The program is open to all, whether on EI or social assistance (SA), and funding is received from federal and provincial sources. Pawliw subsequently discussed Saskatchewan's 28 sector councils.
- **Léa Cousineau** described the composition and mandate of the Commission des partenaires du marché du travail. The Commission works closely with

government to set annual priorities and approves Emploi-Quebec's annual action plan, including financial allocations, targets and results. Cousineau noted that the Quebec payroll training tax serves as an incentive for employers to make investments in training, and discussed the recently adopted framework for skills enhancement.

- **Doug MacPherson** of the Canadian Steel Trade and Employment Congress (CSTEC) began with a demographic profile of the steel industry, noting that about one-half of its skilled trades people will be eligible to retire in the next five years. Consequently, most workplaces expect to be hiring replacement workers and many workplaces view recruitment and the upgrading of skilled trades as the most critical issues for the industry. CSTEC has moved away from a traditional apprenticeship program to a more “co-op” approach, including formal courses interspersed with terms of work-based learning. MacPherson also noted the need for cost-effective training for the current workforce (a point noted by Cousineau in her remarks).
- **Hans Schuetze** (University of British Columbia) presented lifelong learning as a strategy that is important for both economic and democratic reasons, and argued that it is still the case that too little education and training occur beyond youth. Schuetze also noted that it is well-educated adults who typically receive additional training and education. He argued that high schools need to develop more practical curricula for students who are not university bound and that post-secondary institutions need to provide relevant courses through flexible scheduling and delivery to facilitate adult participation. Most important, “we need a system of prior learning assessment and recognition so that know-how and skills learned outside the formal system are recognized.”
- A common thread through the presentations was the importance of combining classroom and workplace instruction. This was linked to the importance of involving employers, worker representatives, and educational institutes in the practical design and delivery of programs. A second theme was the importance of prior learning assessment and recognition, although there were differences of opinion about how best to make progress in this area. There was a degree of consensus in the discussion on the need for continuous skill upgrading among the employed labour force, with this seen as essential to both collective and individual development. Concern

was also expressed that current services are not adequately meeting the needs of disadvantaged groups.

Panel 4: Achieving Full Labour Market Participation

- **Gerry Boychuk** (University of Waterloo) argued that with tighter rules around EI and SA eligibility, people who might previously have been covered by these programs may have now fallen off the rolls of both programs. There are therefore an unknown number of people who are no longer known to governments and who have large unmet needs. Boychuk also observed that provincial authorities increasingly require training and work-related programs to help people get off welfare, but that this kind of policy would be hard to sustain during periods of high unemployment.
- Using Statistics Canada data, **Gary Birch** of the Neil Squire Foundation documented the low rate of labour force participation and interrupted employment patterns of people with disabilities. Consequently, the great majority of people with disabilities are marginalized. The solution, Birch argued, is for targeted, client-centred programs that meet each individual's specific range of needs. In contrast to that model, programming now concentrates on individuals most able to work, with the more marginalized simply being left out. Long-term political commitment is one factor needed to change this situation.
- **Chief Roy Mussel** of British Columbia spoke about federal Aboriginal Human Resource Development Agreements (AHRDAs). The purpose of these agreements is to reduce the gap between Aboriginal people and the rest of Canadian society on unemployment rates, income levels and other indicators. The evidence suggests that the gap is not narrowing. Mussel underscored the importance of partnerships and discussed initiatives with school boards designed to persuade Aboriginal students to remain in school and to help them make the transition from school to work.
- The extent to which the eligibility criteria of LMDA-supported programs exclude individuals in need of assistance was a prevalent theme in this session. In terms of outcomes, there was a sense that little or no progress has been made with respect to especially disadvantaged groups. Further, the reduction in federal CRF funding during the 1990s had most hurt the groups that had previously relied on it most.

Panel 5: Indicators Used to Assess Labour Market Outcomes

- **Peter Hicks**, an Ottawa-based social policy consultant, declared that the future of ALMMs is in doubt unless Canadians learn how to use information more effectively. He repeated the frequent observation that not enough is known about which ALMMs works and why. Hicks' ideal information system includes data on inputs and processes, outputs (to assess program performance), and outcomes (cost-effectiveness), and the integration of all three to allow for continuous learning. He noted that while decentralization makes the integration of information systems more difficult, without integration, governments will not be able to explain the relationships between program expenditures and outcomes.
- **Andrew Sharpe** (Centre for the Study of Living Standards) identified trends in "labour market well-being," measured by four factors: labour market income; human capital; equality of labour market income; and labour market security. Sharpe observed a steep decline in labour market security in the 1990s, with much of it associated with changes in EI policy.
- **Yvonne McFadzen** (Alberta Human Resources and Employment) and **Jim Blain** (HRDC) acknowledged the limitations of the three indicators currently used to evaluate LMDAs. They provided a report card on an Alberta-Canada project aimed at developing and implementing medium-term indicators of performance as required by legislation. This requires an assessment of cost-effectiveness, improvement of employability, and impacts on worker earnings. On the intergovernmental process, McFadzen described a collegial and intense relationship, not the federal unilateralism that had characterized the choice of the primary indicators.
- A concern expressed from the floor is that there is a huge disconnect between this detailed methodological work being undertaken by governments and the reality of unserved and underserved clients from various disadvantaged groups. Governments are constantly working things out among themselves but excluding the community groups that are often the delivery agents and/or the representatives of the disadvantaged themselves. Clearly, whatever progress is being made at the intergovernmental level, there are groups who feel excluded from the programs and the process.

Panel 6: Future Challenges and Directions for Labour Market Policy

- **Eric Newell** (Syncrude Canada) spoke of the need to provide opportunities to disadvantaged groups not only to improve individual well-being but also to meet future skill shortages. He highlighted the role that partnerships can play in facilitating the school-to-work transition and described a partnership called *Careers: The Next Generation* in which Syncrude is involved. Newell portrayed such partnerships in win-win-win terms. For business, they help to generate a motivated workforce of the future. For students, they provide pathways to rewarding careers. And communities are able to foster opportunities for their youth, which helps to strengthen their economic and social base.
- **Barbara Byers** (Saskatchewan Federation of Labour and the Saskatchewan Labour Force Development Board) also focused on the role of partnerships. Her key messages included a call for the development of new skills and access to income support for workers while learning, as well as access to learning opportunities, and recognition of learning. She pointed to a need for federal leadership on skills, learning, and labour mobility and for the development of national standards.
- **Ben Levin** (Government of Manitoba) talked both of the need to ensure that new workers have the required skills and of the importance of skills upgrading for the existing workforce. He identified a need to strengthen the connections among institutional players engaged in education and skill development so that people can move easily across programs and institutions. Credentials also need to be connected to create greater system coherence. It is essential that governments and educational institutions work with employers to ensure that students have the skills needed to prepare them for the work world.
- **Ron Hicks** (Government of Alberta) identified trends in Alberta, including skill shortages, rising education and training requirements, an increasingly diverse workforce, and new technologies that require new skills. Hicks pointed to the need to pay more attention to primary and secondary education, noting that too many students drop out, including 70 percent of Aboriginal children. He also underscored the importance of well-developed

vocational training programs to facilitate the school to work transition. However, even with such programs in place, immigrants remain an important source of skilled labour and it is important to ensure that foreign credential assessment is fair, accessible and affordable. Finally, he questioned why the EI fund could not be used to improve the skills of employed workers.

- Potential uses of the large surplus in the EI account were raised in the subsequent discussion. There was also discussion of the “third system” (K-12 and post-secondary being the first two) – a loose collection of arrangements that include the LMDAs, AHRDAs, employer-based arrangements, welfare-to-work programs, community literacy programs, and programs for youth and immigrants. These programs arise in part because of the deficiencies of the first two systems. However, these “add-ons” are fragmented, typically underfunded and never seem to achieve sufficient scale or interconnectedness to make a coherent whole. What can be done to make this plethora of programs an integrated system?
- One theme that ran consistently through this panel was the importance of having industry intimately involved in school-to-work transitions and in ongoing skill upgrading of the existing workforce. Panelists appeared to paint a much rosier picture of apprenticeship and transition vehicles than was presented in the first panel.

Some Final Comments

The remaining pages of this summary are an analysis of the current state of the LMDAs in the light of the Edmonton proceedings.

The LMDAs and Canadian Federalism

- Progress has been made in reducing the level of federal-provincial acrimony that once surrounded ALMMs. Yet this improvement is neither as wide nor as deep as it might be. On the breadth front, there is the absence of a LMDA with Ontario. As for depth, an open question is whether the federal government is content with its decision to vacate the role of program delivery agent for major labour market services. The fact that Ottawa

continues to do direct programming with youth certainly suggests that the decentralization imbedded in the LMDAs is still not universally embraced within federal circles.

- While the design and delivery of ALMMs may well make sense as a provincial responsibility, duplicating the design of much of the infrastructure (e.g., occupational standards, techniques of prior learning assessment and recognition, etc.) on a province by province basis makes much less sense. In this regard, national sector councils play a role in defining emerging skill needs, developing occupational standards, and helping to design training modules. Some of these councils are being replicated in some provinces. While replication can involve roles that are complementary, no one seems to be systematically exploring the relative roles of these two types of organisations. More generally, examining who does what in a systematic way does not appear to be a big part of the federal-provincial-territorial (FPT) agenda.
- While much co-operation is taking place at the federal-provincial level, representatives from stakeholder groups feel excluded from the FPT deliberations on medium-term indicators and evaluative process.

The LMDAs and Canadian Democracy

- The transparency side of the LMDAs warrants consideration. The *Employment Insurance Act* requires annual monitoring reports to be tabled in Parliament with respect to the effectiveness of ALMMs. Yet, unless legislators and journalists make it their business to read and comment publicly on what these documents have to say, it is most unlikely that they will make any impact on the public. Even interested stakeholder groups will be hard-pressed to marshal the resources to engage in a public debate on issues raised in monitoring and evaluation reports. In this regard, Canada's legislative bodies have been little involved in the LMDAs or ALMMs in the past. Whether the tabling of the monitoring reports creates an adequate opening for federal and provincial legislators to become more engaged is an open question.
- The role of social partners and other stakeholders in the governance of ALMMs needs further clarification. Based on the conference proceedings, there appears to be a consensus that stakeholders must be engaged at the

local level, where actual services are provided to real clients. But whether and how they should be engaged in designing programs and determining priorities remains an unsettled issue. Spokespersons for the Quebec and Saskatchewan labour force boards asserted that social partners are deeply engaged in such activities within their jurisdictions. But these may be exceptions to the rule. Most of the labour force boards have disappeared, at least in part because elected political leaders did not see the purpose or virtue of having people who were not elected by the federal or provincial electorates making decisions about how to spend taxpayers' dollars. There is a tension between this last consideration and the belief that social partners have the "on the ground" knowledge to make a difference. Finding the appropriate role for the social partners in LMDAs thus remains an important but unresolved issue of governance.

The LMDAs and Policy Considerations

- There was wide agreement about:
 - The underlying rationale for ALMMs – the need to match labour supply and demand in terms of skills and regional location; the need to develop vocational standards that meet the emerging needs of employers; and the need to develop appropriate training courses to satisfy industry standards. Such training may be important for employed and unemployed persons.
 - The need for ALMMs for individual clients to be designed and delivered at the local level. Local employers are most likely to know what kinds of jobs need filling and, in conjunction with local educators and local community and labour leaders, are likely to know what kinds of interventions will work best.
 - The importance and need for a strategy based on a commitment to lifelong learning at the individual level. Such a commitment would not only improve individuals' prospects of maintaining gainful employment but would also improve civic literacy. The difficulty is that past evaluations of ALMM effectiveness have been uneven in supporting this logic. The question that arises is: What should be done when the macro-analysis points in one policy direction, but the assessment of micro-interventions is uneven in confirming the validity of that direction.

- There was also wide agreement that marginalized or special needs groups are poorly served. This is not surprising in that almost all the LMDA money comes from the EI Account and is thus by definition spent on people who are, or who have recently been, in the labour force. Some provincial officials called for fewer strings on EI money, but representatives from business and labour opposed using this money for client groups who have not contributed into the EI Account.
- Debate continued over whether incremental funds would be best used to improve passive or active labour market programs. On the one hand, several provincial officials spoke of the need for a greater financial commitment to improve the supply side of both training and the life skills that are often a prerequisite to successful training. Others noted, however, that income replacement programs have been cut back dramatically. No serious debate emerged about how public authorities should handle such trade-offs.

A Work Agenda for the Future

The following is a suggested work agenda in the light of the proceedings in Edmonton.

Short-term Agenda

1. Federal, provincial and territorial governments should continue to put a heavy emphasis on the development and implementation of medium-term indicators and summative evaluations in the context of LMDAs and other ALMMs. In so doing, they should make space for other labour market participants to provide input. They should also make sure that the results of these efforts receive serious attention from all labour market parties, inside and outside of government.
2. Federal, provincial and territorial governments should pursue aggressively and implement a system of labour market information that integrates inputs, outputs, and outcomes. In so doing, they should consider whether an arm's-length body may be useful as a coordinating agency.
3. FPT officials should minimize duplication in developing the infrastructure of successful LMDAs. This includes the development costs of occupational standards, training standards, information systems, evaluation techniques, methods of prior learning assessment and credentials recognition, etc.

4. Linked to the third item in this action plan (specifically the cost of occupational standards), federal, provincial and territorial governments should continue with ongoing work to remove barriers to labour mobility pursuant to commitments of all parties under the Agreement on Internal Trade. The Forum of Labour Market Ministers should give more priority to communicating the improvements in this field over the last few years.
5. Governments and other labour market partners should continue to focus on developing local partnerships as essential mechanisms for improving the skills and employability of individual labour market participants and potential participants.
6. The federal government and industry, with relevant educational institutions, should continue to develop the sectoral approach to determining skill needs, national occupational standards, and training programs. The Canadian Tourism Human Resources Council (CTHRC) should be studied as a model that effectively integrates national and provincial dimensions to labour market policy.
7. Governments and other labour market participants should begin to develop an explicit methodology for examining trade-offs between expenditures on active labour market programs relative to passive programs, recognizing that the relationship is not always dichotomous. This should entail consideration of needs, inputs, outputs, and outcomes of different groups.
8. The research community should examine the characteristics of the Quebec training tax and other forms of tax incentives, including their effectiveness as a vehicle for improving the skills of the employed labour force.
9. More employers, and employer organisations, should enter into partnerships to facilitate career awareness among students and school-to-work transitions.
10. Given the range of mechanisms for designing and delivering ALMMs that exist as a result of the diversity of LMDA arrangements in the country, the research community should study these alternative mechanisms, including the absence of a LMDA in Ontario, and attempt to determine if some governance mechanisms are more effective than others.

Medium- and Longterm Agenda

11. Provincial, territorial and federal governments should work toward the development of an integrated labour market development strategy that recognizes explicitly the relationships and linkages between LMDAs and other ALMMs, on the one hand, and surrounding government and private

systems, on the other. The focal point of such a strategy should be the individual client and the ease with which that client can move between systems and programs. The ease of movement for clients should also apply in respect of Aboriginal clients who move between provincial or federal programs and Aboriginal Human Resource Development programs.

12. Provincial, territorial and federal governments should address barriers that prevent some client groups, such as persons with disabilities and single parents, from accessing necessary ALMMs. This may entail either providing additional funds for ALMMs that are not directly linked to client eligibility for social assistance or unemployment insurance. Alternatively, in a cost-neutral context, this could necessitate broadening client eligibility for ALMMs within social assistance and unemployment insurance programs, without some of the restrictions and conditions that normally apply in those programs (e.g., run-down of assets or substantial labour market history).
13. More generally, federal, provincial and territorial governments should attempt to use the collaboration referred to in the short-term agenda as a basis for building trust over the medium term.
14. Provincial governments, in partnership with employers and labour, should continue to focus on developing further appropriate educational opportunities for students who are not bound for university.
15. Federal and provincial governments should give enhanced attention to challenges associated with immigration settlement, including a stronger financial commitment to English/French language training and internships or other techniques for acquiring Canadian workplace experience.
16. Federal and provincial governments should give greater priority to developing a national system of prior learning assessment and recognition that effectively covers both Canadian and non-Canadian prior learning. This should be accomplished in conjunction with regulatory bodies and other stakeholders.
17. National and provincial human resource councils should work to minimize duplication of activities. Analysis of the Canadian Tourism Human Resources Council, as noted above, may provide a useful starting point.

Introduction

Federal and provincial governments have been in the business of providing active labour market programs to Canadians for several decades. Since the late 1990s, many of the services and benefits in this area have been designed and delivered by provincial/territorial governments within a framework of bilateral federal-provincial and federal-territorial agreements. While there was considerable intergovernmental acrimony around which order of government should control these programs in the years leading up to these agreements, they have received little public attention since then. It was thus timely that a conference was held in Edmonton in February 2002 to examine recent developments in active labour market policy in Canada and some of the lessons flowing from the initial years of experience with the Labour Market Development Agreements (LMDAs). This paper reports and comments on the proceedings of that conference.

The report is organized as follows. Part I provides a broad context for understanding the role of active labour market policies and the intergovernmental Labour Market Development Agreements. Part II describes the LMDAs very briefly. The following six parts then focus on the conference proceedings under a series of themes, each of which was the subject of a separate panel discussion. The first and larger section of each theme discussion touches on the highlights of what was said while the later part reflects my effort to provide some commentary and value added to the proceedings. Part IX is an effort to distill the key messages from the proceedings (the lessons learned) and to suggest an agenda for what lies ahead.

Part I: Setting the Scene

The dominant post-World War II policy paradigm included a system of global and regional security pacts to protect against foreign aggression, gradual implementation of a liberal, multilateral, and non-discriminatory system of international trade and payments, counter-cyclical macro-economic policy, and the development of the modern welfare state. Initiatives in all four areas were centre stage in the liberal Western democracies for more than three decades.

But by the 1970s, Keynesian counter-cyclical macro-economic policy had begun to run out of steam (recall the “stagflation” of that period). And with the severe recession of the early 1980s, this kind of macro-economic policy had run its course. As for the main objectives of the post-World War II welfare state, which had mainly to do with providing people with much enhanced social protection against the vagaries of life, in many countries they had been largely met by the 1970s and 1980s. Linked in part to these extraordinary successes of the welfare state, however, were public sector deficits, significant inflationary pressures, and high and rising unemployment.

The 1980s were thus characterized by a loss of optimism about what the state could constructively do. While much of the economics of the post-war era had focused on correcting market failures, by the 1980s, there was recognition that there could also be government failures. Prudence replaced counter-cyclical policy as the driving force behind fiscal policy, while central bankers resorted increasingly to monetarism as an antidote to accelerating inflation. And trade policy was used to expose Canadians and Canadian enterprise to both the benefits and stiffer winds of international competition.

With the decline of macro-economic policy as a tool for social engineering, more attention was paid to micro-economic instruments as a way of advancing the public good. One result was a growing interest in labour market policies as a means of advancing both economic and social policy goals. In Canada, this interest was reflected in the work of the Macdonald

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Commission, the Forget Commission and the Economic Council of Canada.¹ All pointed to the growth of unemployment, the growing proportion of the unemployed who were long-term unemployed, and the concern that the system of unemployment insurance, in and of itself, was insufficient to help the chronically unemployed return to paid work on an ongoing basis.

In general, the governments of the Western world offered two types of response to these ailments. The first was to make labour markets more “flexible,” a euphemism for reducing some of the state guarantees to both employed and unemployed workers, which made it possible for them to preserve their status. In continental Europe, for example, the conventional criticism was that employers were reluctant to hire new employees because labour law made it so difficult to fire those who did not perform their duties effectively. At the same time, unemployment insurance was generous enough in many of these countries to enable those who were out of work to get by without making a strong effort to find work. For both reasons – the lack of new jobs and the generosity of unemployment benefits – the unemployed became long-term unemployed and their work skills gradually atrophied. The strategy of loosening these guarantees (hence the idea of “flexibility”) did little, however, to address the needs of marginalized individuals and groups – those who had multiple barriers to entering the labour market successfully.

The second response was to enhance the employability or employment of the unemployed, either by actively helping them to strengthen their workplace skills, by re-locating them to where the jobs are, or by implementing make-work programs that would give them jobs.

To varying degrees, the governments of the Western world have embraced these two responses over the last decade and longer. In Canada, the increase in labour flexibility resulted in significant measure from the substantial reduction in unemployment insurance and welfare benefits by federal and provincial governments during the 1990s. Whether, and to what extent, this increase in labour market flexibility has been responsible for the reduction in unemployment in the 1990s and beyond is a matter of debate among economists. What cannot be doubted, however, is that the earnings replacement component of Canada’s safety net for the unemployed is now much less generous than was once the case.

If there has been clarity in the Canadian response to the call for more labour market flexibility, the same cannot be said for the response in respect of so-called active labour market measures. The logic of a public policy focus on active labour market measures is straightforward. There is a pool of unemployed in all regions of Canada, even at the peak of the business cycle. Yet there is also a large number of unfilled jobs suggesting a mismatch between the skills and location of the unemployed and the skills required, and the location for the unfilled jobs. Thus, by helping the unemployed to gain the requisite skills and/or to move to the place where jobs are available, more of the unemployed will become employed and employers will have fewer vacancies.

Equally to the point in this argument is the growing acceptance that Canada's future economic success will be increasingly bound up in the quality of our human capital. For more than a decade, commentators have argued that brains, not brawn, would be the key to economic success, both for the country as a whole and for the individual. The powerful correlation between years of education and economic success has been extensively and persuasively documented for a long time. The unemployed generally have less education and fewer skills than the employed. Thus, once again, the case for active labour markets is convincing, both to improve the productivity growth of the economy and to improve the life opportunities of the individual.²

Yet in some respects governments have been slow to "walk the talk." Reviewing data for the last decade and longer does not suggest that the cuts to unemployment insurance and welfare payments have been replaced by enhanced spending on active labour market measures (ALMMs). Partly, this is because the cuts to unemployment insurance and welfare have occurred during a prolonged period of fiscal restraint and the saved dollars have been used to reduce deficits and pay down debt. Partly, this has been because evaluations of ALMMs have been, at best, mixed, in terms of what works and what does not work.

In Canada, however, there has been a third consideration, namely, that over much of this period federal and provincial governments bickered with one another regarding which order of government should design and deliver active policies. During the 1980s and much of the 1990s, the federal government argued that it had a legitimate role in this area. This role derived from its constitutional responsibility for unemployment insurance, its responsibility for the management of the economy, and a number of more specific

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responsibilities (like its constitutional responsibility for Aboriginal peoples living on reserves). Moreover, to the extent that ALMMs entailed training the unemployed, Ottawa did not do this directly. It purchased courses for its clients (often people drawing unemployment insurance) from provincial training institutions and thus it did not encroach on provincial responsibility for education. Indeed, there were bilateral federal-provincial agreements that covered issues like federal bulk purchase of training seats at provincially regulated colleges for unemployed workers.

Quebec governments took the view that active labour market policies had to be seen as a provincial responsibility, entailing as they do a form of education, and being connected to other aspects of social policy. The Government of Quebec not only argued that the federal role in active labour market policy was inappropriate for these reasons but also that it was costly, duplicating provincial programs and thwarting coherence in provincial social and employment policy. To varying degrees, other provinces supported the Quebec argument.

The result of this clash was an on-again off-again set of federal-provincial-territorial (FPT) negotiations during the 1980s and 1990s that led ultimately to a new set of bilateral intergovernmental labour market development agreements (LMDAs) beginning in 1996 with all provinces/territories except Ontario. To one extent or other, they have entailed a degree of devolution of responsibility for designing and delivering active labour market measures from the federal government to provinces and territories. Part II below describes the LMDAs.

The main point about these intergovernmental dynamics is that they complicated the governmental focus on active labour market measures. During much of the 1990s, and to this day, the policy dimension of active labour market policy has shared centre stage with the federalism dimension. I know of no independent commentator, for example, who believes that the federal government entered into the FPT LMDAs mainly because it was convinced that they would improve labour market outcomes. Rather, the desire to remove active labour market measures as an irritant in federal-Quebec relations drove the federal government's agenda. Offering similar arrangements to all jurisdictions was due only to Ottawa not wanting to be seen as offering something to Quebec that was not available to other provinces. At the same time, several provinces did believe that a more devolved set of labour market

intergovernmental arrangements would improve labour market outcomes. And the Government of Alberta was among those that argued most forcefully in favour of a single window approach with the province playing a much larger role in the design and delivery of ALMMs.

In the event, the first federal-provincial LMDA was signed between the Governments of Canada and Alberta in December 1996. There is thus five years' experience with this kind of agreement in Alberta and more than four years of experience with Ottawa's bilateral agreements with most other provinces and territories. Provincial and territorial governments have recently expressed general support for them, along with a series of suggestions for how they might be improved.³ And regardless of the political dynamics that got us there, legitimate and important questions arise about how well these agreements are working.

To help answer these questions, the Government of Alberta, through its Ministry of Human Resources and Employment, with some support from other governments,⁴ sponsored this conference and asked Canadian Policy Research Networks to organize the event. Those in attendance in Edmonton on February 21-22 included provincial and federal officials, individuals from stakeholder groups (including business, labour, persons with disabilities, Aboriginal peoples and women's organisations) and independent researchers. Much of what follows is based on what was said through the several panel discussions. But there are other sources of information publicly available (for example, provincial-territorial reports, and partial evaluations) and, where appropriate, I have drawn on them selectively. The LMDAs have operated over the last several years with little or no public attention, as already noted. What has been happening since, from the perspective of sound labour market policy, healthy intergovernmental relations, and democratic considerations like accountability and transparency is the focus of what follows.

Part II: The LMDAs

As noted above, both federal and provincial governments tightened the generosity of unemployment compensation and welfare programs during the 1990s. The most comprehensive of these federal reforms was enacted through the 1996 *Employment Insurance Act*. Part I of that statute provides earnings replacement to eligible contributors who become unemployed. In general, the benefit scheme in Part I is less generous than the benefit structure that had been in force immediately before this law was passed. And it is much less generous than the benefit structure that had been available at the beginning of the 1990s. In other words, the 1996 legislation was only one of several rounds of unemployment insurance tightening that occurred in the 1990s.

Part II of the EI Act provided for Employment Benefits and Support Measures (EBSMs) to help people return to work. Employment benefits are long-term services that are available to unemployed persons who are currently or who have recently been eligible for Part I income support. Support measures are short-term services available to all Canadians. Funding for all of these services comes from the Employment Insurance (EI) Account, which is paid for through employer and employee contributions only.

When the federal government introduced the 1996 reform package, it explicitly acknowledged the link between training and other employment measures and certain provincial areas of constitutional responsibility, including education. Part II of the EI Act thus contemplated the possibility of transferring responsibilities for the delivery of such programs and services to provinces and territories. And in 1996 Ottawa began bilateral negotiations with provinces and territories to establish partnerships, with them for the delivery of Part II programs and services.

The Part II legislation specified the kinds of employment benefits and support measures that would be eligible for funding. Eligible employment benefits included targeted wage subsidies, self-employment, job creation

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partnerships and skill development. By specifying such measures in such general language, Ottawa effectively left wide scope to the provinces and territories to determine the actual program design features. The same was true for three support measures, namely, employment assistance services, labour market partnerships and research and innovation.

In the event, the federal government now has signed bilateral Labour Market Development Agreements with all provinces and territories except Ontario, the most recent having been signed with Nunavut in May 2000. These agreements vary from jurisdiction to jurisdiction. The agreements with five provinces (Alberta, Manitoba, New Brunswick, Quebec and Saskatchewan) and two territories (Northwest Territories and Nunavut) are referred to as “fully devolved” (also known as “transfer”) arrangements. The agreements with British Columbia, Newfoundland and Labrador, Prince Edward Island and the Yukon entail “co-management” while that with Nova Scotia is sometimes referred to as a “strategic partnership.” The asymmetry in these arrangements reflects the preferences of the provinces and territories at the time of the initial negotiations. In the case of the fully-devolved agreements, the signatory provinces and territories design and deliver the devolved programs and some federal employees have been transferred to provincial payrolls as a result of these arrangements. With other types of agreements, provincial/territorial and federal officials jointly establish priorities and other elements of strategic direction with federal employees continuing to deliver the EBSMs.

Regardless of the type of agreement, the EI Act requires that the effectiveness of the benefits and services be monitored and assessed, and that annual reports be tabled in Parliament. The law also specifies three specific performance indicators that must be included in these reports. They are the number of clients served, the number of clients who returned to work, and the savings to the EI Account as a result of clients returning to work. These indicators obviously have a short-term focus and have, as a result, engendered considerable controversy. The EI Act also contemplates that federal and provincial/territorial governments will jointly develop other medium-term indicators as well as other forms of evaluation. These issues of accountability were discussed extensively in the conference proceedings, as will be seen below.

Two further points merit attention at this stage. The first is to repeat that the federal and Ontario governments have not yet signed agreements. As seen from one perspective, it was only in the summer of 2001 that the

Government of Ontario finally expressed an interest in signing an agreement on the basis of Ottawa's 1996 offer and, by that time, the federal government was beginning to re-think whether and in what ways the changed labour conditions since 1996 might affect the LMDAs.⁵ Thus the Government of Canada wishes to discuss the impacts of these changes before undertaking new bilateral agreements. As seen from an Ontario perspective, that government has accepted the terms that Ottawa had proposed and it is the federal government alone that is the obstacle to an agreement. In any case, it is almost certain that political tensions between Queen's Park and Ottawa have also stood in the way of a deal. And for the time being, the federal government continues to design and deliver EBSMs in that province.

The second is to note that because the federal funding comes from the EI Account, people who are not or who have not recently been EI contributors are not eligible for EI Part II Employment Benefits. The ineligible include new immigrants, other new labour force entrants, and people who have had little or no involvement with the labour force, often due to multiple barriers to entry. Prior to the 1995 federal budget, Human Resources Development Canada (HRDC) had also funded large active labour market programs from the federal Consolidated Revenue Fund (CRF) for people in these groupings. With the very large CRF funding cutbacks at that time, the money available to these groups was dramatically reduced. Since then, HRDC has concentrated its remaining CRF dollars mainly on Aboriginal clients (through new Aboriginal Human Resource Development Agreements [AHRDA] that parallel the LMDAs) and youth. The implication of Ottawa's stance is that provincial dollars should help some of the other marginalized persons, although it continues to finance a relatively small program for people with disabilities.

In total, the federal government spends, through the LMDAs and directly in Ontario, some \$2.2 billion annually. Provincial and territorial governments are calling for expanded funding, through expanded Part II funding and additional CRF moneys.

Part III: The Context and Background to the LMDAs

Chris O’Leary of the W. E. Upjohn Institute for Employment Research launched this first panel. O’Leary painted with a wide brush, outlining some of the key trends in labour markets and labour market policies across the OECD world and beyond. Points covered included: the relationship between passive (income replacement) labour market measures like unemployment insurance benefits and ALMMs in the OECD world; the range of ALMMs found in those countries; the focus on lifelong learning; and labour force aging.

O’Leary presented expenditure data on passive and active programs in nine OECD countries between 1990 and 2000. Of considerable significance in this context was the decline in Canadian spending on labour market programs as a whole as a share of gross domestic product (GDP) over this decade. Whereas Canada was one of the leading spenders on labour market programs in 1990, it had fallen to the middle of the pack by 1995 and even lower in 2000. Such reductions can arise from several sources. On the positive side, they may simply reflect lower unemployment and/or enhanced GDP. More controversially, they may be due to changes in the benefit levels of unemployment compensation programs or discretionary changes in active programs. In Canada’s case, all four reasons were present.

The policy changes just noted were only some of the measures that helped to make the Canadian labour market more flexible during the 1990s. O’Leary also compared trends in minimum wage laws in the OECD, noting that many countries had indexed minimum wages whereas Canada and the United States had discretionary minimum wage levels, that is, that they only increased their minimum wages through explicit legislative changes, not price or wage indexing. This makes Canadian and American wages structures more flexible than in many OECD countries.

O’Leary pointed to decentralization of labour programs as a common occurrence in the OECD. This raised questions of accountability, which

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received close attention later in the conference. O’Leary also spoke of a trend toward targeting the long-term unemployed, dislocated workers and the welfare-to-work group. Linking the issue of accountability to these target groups, he suggested that when accountability measures are not carefully selected, pressures on program officers to achieve ill-defined “high performance” can lead to “creaming.” By creaming he meant that the most job-ready clients are skimmed from the top of the barrel and helped at the expense of those who have a greater need for services. Finally, O’Leary observed on the importance of coordinating programs and services including unemployment compensation, employment services, active measures, programs for persons with disabilities, and welfare-to-work initiatives.

Rodney Haddow of St. Francis Xavier University concentrated on the general context of labour market policy in Canada. Haddow’s presentation began with some discussion of the political institutions that surround labour market policy and especially the executive-dominated system of government at both the federal and provincial levels. This not only implies a relatively small role for legislators but also an absence of effective mechanisms for input into decision making from stakeholders and other citizens. He suggested that this generality applies to the labour market arena and, to the extent that either order of government is open to extensive input, it is not from the social actors but from the other order of government. In this sense, the LMDAs are quintessential Canadian executive federalism.

Haddow noted that Canada had experimented with alternative governance mechanisms in the 1990s, pointing to the national (federally sponsored) Canadian Labour Force Development Board (CLFDB) and seven provincial boards. The CLFDB and four of the provincial boards are now dead and the remaining ones (in New Brunswick, Saskatchewan and Quebec) appear to have more modest roles than had previously been assigned to them (or in the case of Quebec, to its predecessor). Haddow acknowledged a more substantial role for sector councils, but these, by definition, function at the industry and firm level, and not on a province-wide or a Canada-wide basis (except in relation to their own industry).

According to Haddow, this limited role for the private sector/social partners matters. Drawing on international comparative literature on the welfare state, he observed that countries that have strong commitments to labour market policies are also the countries where there is a powerful commitment from the

private sector. Where business is interested and when there are mechanisms, “either through business leadership or through coordinated business/labour relationships for effective training” and other ALMMs, such labour market development is more likely to occur. The absence of such institutions and commitments in Canada, in association with a highly decentralized system of industrial relations and an Anglo-Saxon business culture, constitute a large structural impediment to a more extensive commitment to active labour market programming. Foreshadowing a theme that emerged later in the conference, Haddow noted that these deficiencies are not of great consequence to those in Canada who enter university but that they are a concern for those who are unable to do so.

Turning to labour market trends, Haddow focused mainly on the tendency for the Canadian economy (and other industrialized economies) to generate more polarized and more unequal labour market earnings. He associated this phenomenon with the processes of international economic integration and technological innovation. Until the mid-1990s, the Canadian tax and transfer system had effectively offset a similar trend in final (i.e., after-tax and transfer) incomes (unlike almost all of the rest of the OECD). However, since then final incomes have also become more unequal and polarized in Canada, due in part to the reduction in benefit levels for welfare and unemployment compensation.

For Haddow, these broader shifts toward greater income dispersion pose questions about the role of the state and whether incremental spending should focus on active measures or on passive income support. Haddow concluded his remarks by speculating about the trade-off between active and passive measures and the risk that active measures will not necessarily ensure that the poorly skilled will be able to climb the earnings ladder.

Several issues emerged in the subsequent discussion of the points raised in these initial presentations. Decentralization of ALMMs was raised first. In differing but complementary ways, both Haddow and O’Leary were comfortable with the idea of labour market programs residing close to where the problems exist, namely, at the local level. At the same time, O’Leary noted that experience in Poland suggested that decentralization can also be overdone and that there is a need for an accountability relationship between local administrators and those who provide the money for the programs. Haddow also suggested that the case for a federal role is strong in passive (earnings replacement) programs, noting that Atlantic Canada can only enjoy a viable

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passive program with the kind of inter-regional redistribution that the federal government can provide. In turn, this led O'Leary to note that the system of unemployment compensation in the United States is much more decentralized, with states having broad autonomy within the framework of broad federal standards.

A second issue had to do with Canada's performance in respect of active programming. On this point, Haddow noted that Canada (or at least its English-speaking parts) lacks a strong societal commitment to technical training. The data presented by O'Leary showed that public spending on ALMMs in Canada, as compared to a number of other OECD countries, is middle range. On whether governments should do much more about training, Haddow was cautious, noting that much depends on whether the evolving industrial structure is creating the intermediate level jobs for which additional training programs might be relevant.

The third issue to be raised had to do with the relatively small size of provincial budgets in respect of ALMMs. This was raised by a senior provincial official. He emphasized that only modest amounts are being spent on these programs. To create a context, he compared the amount of expenditure on ALMMs to the rest of provincial education budgets. In the case of Manitoba, spending on ALMMs is \$50 million annually against a public school system budget of roughly \$1.3 billion and a post-secondary budget of \$500 million. These data suggest the possibility that improvements in the school system might have a role to play in taking some of the pressure off of ALMMs in terms of skills development.

Commentary

It is worth perhaps noting that some key issues were hinted at in this panel but were not tackled until later in the proceedings. One had to do with the fact that a successful labour force development system includes many components and several categories of clients. The panel had suggested that while devolving the design and delivery of services appears to make sense economically, it does not follow that each and every component is most effectively handled at the provincial or local level. No guidance was provided at this stage, however, on the criteria for identifying the elements that might be most appropriately handled at the various levels.

Second, the panel stressed the importance of coordinating related programs like ALMMs, unemployment compensation, and social assistance (SA). But these involve different orders of government in Canada. And one of the panelists had explicitly spoken of the importance of maintaining EI as a federal program. There was no discussion, however, about how to best effect this coordination given the different orders of government and no discussion about how effective the various federal-provincial delivery configurations are in different provinces in meeting this coordination goal.

Third, while the comparison between provincial spending on ALMMs and on primary and secondary education was laid out forcefully, the relevance of the comparison was not debated fully. Moreover, no data on a per capita basis were provided in relation to these different sets of programs.

Part IV: Lessons Learned from the LMDAs

Phil Jensen of HRDC led off the panel discussion noting the diversity of federal-provincial labour market development agreements across the country, from co-management to transfer (i.e., fully devolved). He also noted the absence of an agreement with the Government of Ontario. The result is a considerable diversity in the role played by the federal government, all the way from full design and delivery by HRDC (in Ontario) to full design and delivery by some provinces. He also referred to joint pilot projects under way with individual provinces focused on matters like information exchange and the development of medium-term indicators.

Noting the completion of some formative evaluations (that are mainly process focused) first, he declared that the evidence points to effective delivery, a growth in partnerships and high levels of client satisfaction. Due to statutory requirements that active measures be demonstrated as being successful in helping unemployed workers return to work, HRDC has been working with the relevant provincial ministries to ensure that appropriate accountability measures are in place. He also flagged the need to make sure that Canadians are fully aware of the federal contribution. Finally, he remarked that LMDAs are only part of the labour market picture in facilitating the return to work among the unemployed, pointing to the need for those delivering services under these agreements to link up with related federal and provincial programs.

Looking ahead, Jensen posed a series of questions. Are client needs being met? Are the right clients being served? Is programming responding to changing labour market conditions? Are governments taking advantage of private sector opportunities? Is the accountability framework the right one? And are resources being allocated to get the best possible results?

Heather Dickson of the Ministry of Human Resources of British Columbia was the second panelist and she spoke of the B.C. involvement with the federal government in a co-managed LMDA. With this type of agreement,

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the federal and provincial governments share responsibility for planning and priority setting to manage the allocation of Employment Insurance (EI) Part II funds. The delivery of services remains with HRDC. As with other LMDAs, due to federal statutory requirements, the B.C. agreement specifies annual targets in three areas: number of clients served, returns to employment, and savings to the EI Account. Within the framework of the LMDA, the two governments had negotiated an agreement on the exchange of information, developed a communications protocol, and then signed a 1999 Skills Development Contribution Agreement to compensate the province for the full cost of training provided to EI eligible clients through British Columbia's public post-secondary education system.

With regard to lessons learned, Dickson spoke of the need to recognize the "inherent challenges of bringing two large bureaucracies together to work on a single priority." First, there is the necessity of ongoing communication. Second, the parties to the agreement must also provide adequate resources and authority to those who are responsible for the joint planning and priority setting. Developing clear roles and responsibilities for all involved is a third lesson. Fourth, local priority setting is best done in consultation with community and stakeholder organisations, and good relations between the local offices of HRDC and the provincial ministries are needed to provide optimum client service. Finally, bottom-up joint target setting and resource allocation achieves local buy-in and a better allocation of funds.

As with the Jensen presentation, Dickson noted several "challenges." From the very outset of the co-management agreement, B.C. officials had notified the federal authorities that they would like to move toward a full devolution model. Thus it is five years since this notice was given. The resulting ambiguity about whether, when, and how this change will happen has created an atmosphere of uncertainty for staff and detracted in some ways from staff commitment. Another challenge has been the differing organisational imperatives of the various ministries. Election cycles, departmental reorganisations, and ministries (even within the provincial government) with differing priorities were cited. Information sharing and issues of connectivity were noted as further items that had required ongoing intergovernmental effort.

Picking up on themes noted by Jensen, Dickson was more explicit in referring to the need to provide services to clients with multiple barriers, to respond quickly to changing conditions in the resource industries, and to

establish performance measures and standards for employment assistance services, especially for non-insured clients.

Jean-Yves Bourque of the Government of Quebec discussed Quebec's agreement with the federal government, which, unlike that of British Columbia's, has been a full transfer or full devolution LMDA. Bourque provided basic information on the role that the Government of Quebec plays under the agreement (determining labour market priorities, designing, implementing, and evaluating active measures, providing a labour exchange with appropriate links to the Canadian placement service, and providing the requisite Quebec labour market information to fulfill its responsibilities) and on the accountability regime. He then honed in on the advantages of the LMDA. Specifically, he declared that it improves the operation of the labour market, enables the people of Quebec to receive high quality services, and reduces duplication. Specific achievements included moving from the three previous labour market networks (provincial, Société québécoise de développement de la main-d'oeuvre [SQDM] and federal) in Quebec to one network and from 256 service outlets to 153. Whereas previously there had been 65 services and measures there are now a dozen harmonized and decompartmentalized measures. And linked to this last point, prior to the LMDA, target groups had been compartmentalized (according to the source of funding) whereas all segments of society receive services today. Bourque also noted that all LMDA-related targets had been met and he referred positively to the creation of Emploi-Québec, an autonomous agency within the Quebec Ministère de l'emploi et de la Solidarité sociale.

Bourque declared that the Government of Quebec ardently wishes the agreement to continue. He then specifically called for the removal of remaining duplication between federal and provincial governments, for enhanced federal funding under Part II of the EI Act and also from the federal Consolidated Revenue Fund, broader client eligibility under Part II, and lower EI premiums. In so doing, he echoed a theme that provincial and territorial labour market ministers laid out in a January 30, 2002, document.⁶

The last speaker on this second panel was **Susan Williams** of the Government of Alberta. Williams began by focusing on what the Alberta labour market scene had looked like prior to the (fully devolved) LMDA. There had been HRDC offices, a province-wide network of career development centres and, in the urban areas, co-located Canada-Alberta Service Centre sites. In the

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latter, federal and provincial staff were co-managing and delivering services to Albertans. Alberta had pressed for a LMDA because it saw the inherent efficiencies in the co-located sites and wanted these kinds of sites extended province-wide. Williams then discussed briefly some of the challenges in the start-up, including the transfer of federal personnel to the province, incompatibility of computer systems, privacy regulations, and the fact that many EI claimants were unaware of the services available. With regard to achievements, her presentation was similar to that of Bourque, noting that results had exceeded the required levels for all three standard performance indicators, that more people are being served, that single window service has been achieved, and that relationships between governments are good.

It was noted that the economy of Alberta has been very strong during the initial LMDA years and that this has undoubtedly helped with the results achieved. Like Phil Jensen, she noted the importance of working with industry to meet skill shortages and address other human resource issues. She also emphasized the strength of Alberta's apprenticeship system. In the previous panel, Rodney Haddow had argued that Canada was relatively weak at training the non-university-bound youth. The inference of the Williams point was that this was less true of Alberta than some other provinces.

This last theme regarding relationships with the private sector resurfaced during the subsequent discussion. Questions were raised about the nature and extent of unfilled employment opportunities. One point that was acknowledged was that such unfilled job vacancies are not equally available in all parts of Canada. Jensen also mentioned that a difficult issue arises for the federal government when industry representatives visit Ottawa looking for assistance in filling job openings with appropriately skilled workers. Federal officials have to acknowledge that, for the most part, their strategy entails leaving provincial LMDA partners and similar Aboriginal Human Resource Development Agreements (AHRDA) partners to respond to such requests. The provincial and Aboriginal authorities already have their own planning processes in place that may not always coincide with these private sector opportunities. This is not an easy issue for the federal government to manage politically and he flagged that it may need intergovernmental consideration in the future.

A second issue raised had to do with the role of employers and employees in the management of labour market development programs. In the first panel,

Haddow had argued that this had been tried unsuccessfully in Canada. The Alberta presentation had noted the need to work with employers and Bourque, in the discussion period, emphasized the close relations that Emploi-Québec maintains with employers to make the Quebec labour market as efficient as possible. In elaborating, Bourque referred to the development of definitions of standardized occupational competencies and of training programs for specific sectors. He also noted the tight links between industry sectors and that part of the educational system that focuses on professional and technical training.

A further point of interest related to services for demographic groups who may be under-served, including youth, Aboriginal youth and women. In the subsequent discussion there was a tension between those speaking from the floor who raised particular concerns and the government panelists who pointed to specific initiatives intended to service the groups in question. On the government side of this debate, Phil Jensen remarked that the groups with the greatest need often have low education and weak life skills, requiring a substantial and protracted intervention. He speculated that this could require intense work at the community level, possibly requiring agreements between the federal government and municipalities (given their closeness to community groups) assuming provincial concurrence. Those speaking from the floor remarked that the federal government had cut substantially its Consolidated Revenue Funding (CRF) contributions for ALMMs several years ago and that it was these very contributions that had been aimed at the designated groups being discussed. As noted earlier, many people in these special needs groups are not eligible for employment benefits provided through the LMDAs because these agreements are financed through the EI Account and the individuals in question have not contributed recently (if ever) to that account.

A related issue had to do with whether program evaluations were focusing adequately on the groups most in need – including new entrants to the labour market, persons with disabilities, Aboriginal peoples, and single mothers. The general reply was that the three performance measures in the LMDAs, which are required by the federal government, are just the starting point in performance measurement. Government officials from some jurisdictions indicated that they were using or planning to use indicators that go beyond these three measures while others indicated that they do not do so because the LMDAs focus mainly on EI claimants and previous claimants (so-called “reach-back” clients). It was not entirely clear, however, whether the evaluative work that includes these most needy groups is linked directly to LMDA evaluations or to

provincially financed programs. Phil Jensen indicated federal openness to extending joint evaluations to provincial programs.

A question was raised from the floor about how effective the current LMDAs are relative to previous generations of intergovernmental agreements. In response, panelists noted two points. One is that some duplication remains, a point observed by both the British Columbia and Quebec presenters. The second had to do with efficiencies associated with having a single level of government deal with unemployed clients, some of who might be on provincial social assistance and others on federal EI, creating synergies between programs that might otherwise be lacking.

Commentary

All four presentations from government officials stressed similar themes. With respect to the three provincial presentations, there was general satisfaction with the federal-provincial arrangements, although all three provinces also had agendas for improving the agreements. Two of the three provinces pointed to the common targets being met, a point on which the B.C. presentation was silent. Certainly, all four presentations focused on issues of accountability and the need to continue to improve efficiency and outcomes.

It is also worth noting items that were not discussed. First, there was no concrete evidence provided that the LMDA regimes were providing better service to clients, per dollar spent, than the preceding regimes. To be sure, this was asserted or inferred in a number of the presentations, but no evidence was made available to demonstrate this. Such evidence may emerge when summative evaluations are complete. Second, there was no reference to the interesting learning opportunity created by the absence of a LMDA with Ontario. Where almost all jurisdictions have LMDAs but one does not, it should be possible to do some in-depth comparative analysis. One can understand why officials might not want to point to this “natural experiment,” given that the lack of an Ontario LMDA is associated with a lot of intergovernmental political tension. But for the independent research community, this is a unique opportunity to shed light on how much of a difference LMDAs make from a client outcome perspective. The same learning opportunity may also be available in relation to the different kinds of LMDAs. Are some models working better than others? Third, despite assertions about (allegedly) costly federal-provincial duplication and overlap in the years that preceded the LMDAs,

there was no discussion of how the presumed large savings from the new arrangements are being used.

Of course, client outcomes are not all that matters in respect of LMDAs. Even if the effect of LMDAs was only neutral from a client perspective (as compared to the preceding regime), they might be advantageous from the viewpoint of improving federal-provincial relations. In this regard, two observations appear to flow from the discussion. First, based on what was said and what was not, at a macro level, it appears that the explicit level of intergovernmental tension associated with the labour market file has been reduced significantly compared to what existed prior to the LMDAs. Certainly, none of the provincial officials reported that their government was considering an end to their arrangements with the federal government. And the federal official on the panel spoke of LMDAs as important partnerships for the federal government. Yet the absence of an Ontario LMDA, the apparent lack of progress on the longstanding B.C. wish to renegotiate, and the fact that the federal government presentation talked about an ongoing need to ensure that the federal contribution is fairly recognized suggest that the intergovernmental tensions have not dissipated fully. On this latter point, it is noteworthy that this federal concern was not highlighted in any of the provincial presentations. On the basis of these considerations and others (e.g., continued provincial criticism of alleged duplication and the lack of sufficient funding), a reasonable hypothesis might be that the improved working relationships are not very deep, and perhaps stronger at the local level than they are at the political level.

Finally, while there was an encouraging amount of consensus about the need for strong evaluation work, not much was said about the level of transparency that would be associated with it.

Part V: Meeting Training and Skill Development Needs: LMDA-supported Programs and Other Initiatives

The third panel drilled deeper into developments in labour market policy, beginning with a joint presentation by **Wayne McElree** and **Rick Pawliw** from the Government of Saskatchewan. McElree began by observing on several key features of Saskatchewan's Training Strategy. It was implemented in 1997 as a result of federal withdrawal. The Saskatchewan Labour Force Development Board was instrumental in developing the strategy and it remained an active and important player on the Saskatchewan scene (one of the survivors referred to by Haddow). Since then certain key themes have emerged in its evolution and performance. One was a strong collaborative relationship with the federal government (effectively raising questions about my above observation about the lack of depth in the improved federal-provincial relationship) and the second a strong set of partnerships with business, labour, colleges, Aboriginal organisations, and other relevant stakeholders, especially at the local level. Other matters that McElree touched on, reflecting a 2001 evaluation, included the judgment that a sound monitoring and accountability foundation had been laid for evaluating future program effectiveness and that environmental scanning was essential to keeping track of changing economic conditions and ensuring responsive labour market programs and services. More on the substance side, the evaluation found that the broad mix of programs and services being offered is right, but that funding was somewhat short. He emphasized the latter point, making a plea for enhanced investments that would improve the supply of skills all across Canada.

With regard to delivery, the evaluation had called for a further expansion of local partnerships with industry, better streamlining of services, and removal of remaining duplication with the federal government. Aboriginal labour force development was identified as a priority as was better coordination between federal and Aboriginal authorities. In conclusion, the Saskatchewan Training Strategy positioned the province well for subsequent negotiations and agreement with HRDC on a devolved LMDA in Saskatchewan.

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Rick Pawliw elaborated on this presentation focusing especially on the JobStart/Future Skills program. Components of the program include work-based training, an institutional quick response mechanism, and sector partnerships. The program objectives are to provide recognized training for unemployed persons who need skills and to provide employers with skilled workers to fill new positions. The program is open to all, whether on employment insurance or social assistance, and whether Aboriginal or otherwise. Training programs are developed by training institutions working closely with industry organisations. Of particular interest is the quick response mechanism under which training colleges will respond quickly to satisfy newly emerging training needs of particular industries. Funding is blended from federal and provincial sources.

Saskatchewan's 28 sector councils bring together business, labour, Aboriginal organisations and post-secondary institutions. They are successful, informing the training programs and include some industry-delivered training. They can also include a prior learning assessment initiative.

Pawliw provided other evaluation results. He noted that 88 percent of program participants reported being employed at some point following course completion and 79 percent had remained with the original employers for six months. Of those trained, 17 percent were on social assistance some time after training compared to 27 percent before, and comparable improvements were noted in relation to EI clients. In general, outcomes for First Nations and Métis clients were poorer than for non-Aboriginals. Among employers, four-fifths reported that training employees improved company productivity and almost half said the results enhanced their competitiveness.

Léa Cousineau described the role of the Commission des partenaires du marché du travail (CPMT) in what she called "Quebec's value-added partnership approach." She explained that when Emploi-Québec was created, the authorizing statute also created a formal role for social partners in its operations. This partnership arrangement exists not only at the Quebec-wide level but also for each of 16 regions that correspond to Emploi-Québec's 16 administrative regions. She also provided a description of some 26 sectoral committees, two committees that are concerned with job entry and retention, and four advisory bodies for target groups with special employment problems.

The CPMT includes representatives from labour, business, community organisations, education, and deputy ministers of the relevant Quebec ministries. With a mandate that is sweeping, it works closely with government to set annual priorities, focuses on emerging challenges (e.g., aging), approves Emploi-Québec's annual action plan including financial allocations, targets and results. Thus this leads the CPMT to become involved in such matters as a general framework for skills development and responding to employer needs to enhance training. She stated that the Commission prefers to concentrate at the strategic policy level than to play the role of a board of directors relative to Emploi-Québec. In this respect, CPMT's role seems similar to the role of the Saskatchewan Labour Force Development Board.

This parallel with Saskatchewan extended to the role of the sectoral committees. These too include business, labour and education representatives but not community groups. Their role is to develop continuing training, identify and meet specific needs, and to maintain a flow of information to management and labour in their sector. Like earlier spokespersons from Alberta, British Columbia and Saskatchewan, she noted the importance of being close to where the action is, namely the regional and local level. She also placed heavy weight on the role of CPMT in fashioning points of consensus among the partners.

The Quebec approach to its labour force is to constantly improve the skills and qualifications of its workers through ongoing training. Cousineau noted that the Quebec payroll training tax (under which employers of firms above a certain size are required to spend at least 1 percent of payroll on training for employees or pay a tax equal to the difference between their spending on training and the 1 percent threshold) serves as an incentive for employers to dedicate at least that amount of their expenses to that purpose. The recently adopted framework for skills enhancement includes a role for sector committees in developing vocational standards that serve as a basis for assessing training needs for workers, developing training programs relevant to needs, evaluating such programs, and recognizing acquired skills. The next step is to implement this comprehensive framework, a task that is just beginning. This framework appeared to be a component of an even wider lifelong learning strategy that the Government of Quebec is expected to adopt in 2002.

In comparing recent active labour market programs to earlier periods, Cousineau observed that the partners remember when three separate agencies – SQDM, the Government of Canada, and the Government of Quebec –

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delivered programs. They were involved in the negotiation of the Canada-Quebec LMDA and remain committed to the idea of rooting out remaining duplication. In this regard, she re-stated Bourque's call for enhanced federal financing, a view that was consistent with McElree's plea for more attention to improving the supply of skilled labour.

Doug MacPherson of the Canadian Steel Trade and Employment Congress (CSTEC) spoke next. CSTEC is the oldest of the Canada-wide sectoral employment organisations. MacPherson focused his remarks on a 1999 CSTEC review of current and future skill needs based on a survey of some 18 workplaces in his industry. The average age of the industry work force was 46. Almost one-third of its workforce and about one-half of its skilled trades will be eligible to retire in the next five years. A large majority of the surveyed workplaces anticipated requiring higher levels of formal education. Most workplaces expected to be hiring replacement workers and one-third of them saw the replacement and upgrading of skilled trades as the most critical issue for the steel industry.

The strategy adopted by the CSTEC entailed a shift away from a traditional apprenticeship program to a more "co-op" approach, including formal courses interspersed with terms of work-based learning. The CSTEC approach is based on the premise that there is a need to hire and upgrade skilled workers including engineers, technicians, and computer programmers. There is also a need for cost-effective increased training of the current workforce (a point noted by Cousineau in her remarks).

More specifically, CSTEC is following a four-pronged approach. The first is the design of career awareness materials for those about to enter the workplace. As the industry has been downsizing for the past 15 years, knowledge had to be communicated to schools, colleges, and Collèges d'enseignement général et professionnel (CEGEPs) that the industry would be hiring and looking for high-tech skills. The second is the design of a manufacturing technique certificate program to ensure that new hires have the requisite skills. Third, a Steel Industry Trades Replacement Program has been established, with steel industry training courses made available. Finally, in Ontario, Quebec, and Manitoba, co-op work term-based programs have been designed with local educational institutes to provide the necessary pre-employment skills to pursue a career in the steel business.

This approach will serve employers' needs and enables unions to become involved in identifying skill needs and developing curricula for the new hires. And for individuals there is the prospect of entering a relatively high-paying and high-skilled industry. Programs, which include an integrated apprenticeship program with a technician's certificate, have been successfully launched via Mohawk College in collaboration with the steel industry in Hamilton and the Steelworkers' Union. Some of the steel industry's training programs have also been transferred into CD format, although the effectiveness of this approach has not yet been fully determined.

The last speaker in this panel was **Hans Schuetze** of the University of British Columbia. Schuetze presented lifelong learning as a strategy that is important for economic reasons and that contributes to civil literacy. He emphasized that most of the expansion of education in recent years has reflected extensions to the time that young people spend in halls of learning. It is still the case that little education and training occurs beyond youth and more attention will have to be paid to the other stages in life if this strategy is to become a reality. It is also the case, he argued, that such learning should be "life wide," in other words, embrace the role that churches, civic institutions, unions, etc. can play in providing learning opportunities. Moreover, the idea of learning needs to be expanded to include a focus on the conditions that help the individual to learn, as opposed to a focus on the educational institutions.

The third issue that Schuetze raised was the oft-noted fact that the adult workers who get the most training are those who are already the best educated. Those who need training most get the least. This is reflected in the results of the OECD survey work *Education and Functional Literacy*.⁷ With levels of post-secondary education that equal or surpass other OECD countries, Canada has a relatively high proportion of its labour force that is highly literate. But it also has many who are at the lowest level of literacy, giving evidence of a highly polarized society when it comes to learning. Mr. Schuetze argued that the marginalized groups that had been referred to in previous sessions were far from small.

This led to the suggestion, consistent with an observation by Rod Haddow, that Canada's high schools need to develop more practical curricula for those who are not university bound. And Canada's post-secondary institutions also need to provide more relevant education and training courses, with more flexible delivery methods and scheduling so that adults, including

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working parents, can participate. Most important, “we need a system of prior learning assessment and recognition so that those parts of know-how and skills that are learned outside the formal system are recognized in people’s lives and they can build on them,” according to Schuetze. He also called on employers to do more to encourage learning, through both formal and informal techniques.

As for government, Schuetze called for tax incentives that would encourage adult learning and a more integrated financing system that would enable people to transfer from one mode and place of learning to another without having to re-do paperwork. Finally, he noted that the marketplace alone cannot deal with lifelong learning, that for the least educated and literate, government leadership and encouragement is required.

The subsequent discussion reinforced the common threads that had run through the various presentations. One such commonality had to do with the importance of combining classroom and workplace instruction. This, in turn, was inextricably linked to the importance of involving employers, worker representatives, and educational institutes in the practical design and delivery of programs. Related to this is the idea that, for many occupations, the primary labour market is the local market and that local community organisations may therefore also have a role to play in the successful implementation of ALMMs. In other words, there is a shared perception among government officials, representatives of stakeholder groups and the research community about many of the fundamental pre-conditions for successful design and implementation of ALMMs.

A second theme of the speakers related to the importance of prior learning assessment and recognition, as was noted from the floor. Despite this emphasis, however, little progress appears to have been made in moving this objective forward, whether it entails domestic prior learning or the prior learning of those from overseas. There was a difference, however, among the panelists about how to make progress here. Some thought that existing institutions (for example the Prior Learning and Recognition Association, which included almost all the relevant actors) could get the job done. To do it, however, they needed more resources. The contrary view, however, is that academic institutions (which now do much of the prior assessment and recognition) are ill-placed to make these determinations. This is because much of the prior learning is not formal (e.g., tacit knowledge) and academic institutions lack the knowledge and experience to deal with this form of learning. Informal

learning is also in competition with formal learning and in some respects a threat to the educational institutions that are responsible for the formal part of the system.

A question stemming from the above issues was raised from the floor. To what extent are provincial governments duplicating the efforts of one another in the development of occupational standards, training programs, and techniques of prior learning assessment? During the previous discussion these activities had all been described as labour-intensive activities. The answers varied. Cousineau emphasized that, for Quebec, it is essential that the representatives of Quebec industry be involved and that the 26 sector committees are the obvious vehicles for engaging Quebec industry. The proximity of these people to what is happening on the ground is vital. In contrast, McElree thought that, for a small province like Saskatchewan, national standards made sense although they might need to be adjusted for some provincial-specific situations. Saskatchewan developed its own sector councils because the national ones lacked reach. They were not helping Saskatchewan industry with its human resource planning needs. MacPherson picked up on the question of national standards, noting two things. In his own industry (steel), an agreement was signed between CSTEAC and 22 community colleges and CGEPs in catchment areas that have steel-making facilities. Beyond that, the Association of Community Colleges of Canada is struggling with the idea of national standards. So, he expressed cautious optimism about the idea of national standards.

A question was raised regarding the seeming discrepancy between the International Adult Literacy Survey showing high levels of functional illiteracy among adult Canadians and other data indicating that perhaps 20 to 25 percent of Canadian workers feel that they are overqualified for their jobs. A related point is that in recent international comparisons of school age students, the relative performance of Canadians has been strong, perhaps a harbinger of future improvements in adult literacy.

There was a tension between a lunch hour presentation of Judith Andrew of the Canadian Federation of Independent Business (CFIB) and the Schuetze presentation. Whereas Andrew had cited a CFIB survey about how widespread training activities were in small business, Schuetze had pointed to the polarization of the labour force with regard to literacy. The clear implication of his argument was that many employees in small business were among the most disadvantaged. Schuetze did not doubt that small firms do considerable

informal training but he was skeptical that the content of much of this resulted in the kind of learning that effectively improves the skills of affected employees. Andrew thought the opposite. She pointed out that employees of small firms have to be versatile because the firms lack the minimum size to engage in large-scale specialization.

Commentary

This panel did indeed drill deeper, shedding considerable light on key aspects of the way in which the world of ALMMs functions. With the exception of the Schuetze presentation, panelists spoke in an optimistic vein. At one level, this may have simply reflected relief in being able to move beyond the federal-provincial uncertainties of the previous decade. The situation of professional staff had been clarified and people are now able to focus more readily on the task at hand. Indeed, the Quebec and Saskatchewan presentations focused very heavily on structures and processes that have emerged in provinces in the aftermath of the LMDAs.

Still on an optimistic note, from the viewpoint of diagnostic, there appears to be something close to a consensus about the nature of the labour market challenge. The need for continuous skill upgrading among the employed labour force is widely accepted. This is seen as essential to both the collective (to support national productivity growth and firm competitiveness) and individual development (hence lifelong learning). It is also commonplace to argue that skills development and other active measures are often required for the long-term unemployed, including people in marginalized groups. Given the shortage of funds to satisfy all needs, it is noteworthy that there were no discussions or questions, however, about the balance now being achieved between these two sets of clients – employed and unemployed. Nor was there any focused attention given to the effectiveness of the Quebec 1 percent payroll training tax as a mechanism for supporting the training needs of the employed, except in a rather specific way. On this latter point, some business spokespersons talked critically of anything that keeps payroll taxes high. While this was mainly a reference to larger-than-necessary EI premiums (about which many present were critical), it had implications as well for other payroll taxes like Quebec's training tax.

Notwithstanding the lack of explicit focus on how to balance the needs of different client groups, there was a widespread concern that the current

services are not large enough or good enough to effectively serve the most disadvantaged groups. This was reflected in the Schuetze presentation and in comments about poor outcomes for Aboriginal peoples in Saskatchewan. Given that the years under discussion were ones of reasonably robust economic growth, one cannot help but wonder what the outcomes would look like through a full business cycle.

Third, much of the conversation was top down. To be sure, much of the discussion concerned process, with the client as the ultimate object of the process. At the same time, judgments regarding the effectiveness of LMDAs and ALMMs more generally may be different if the starting point is the client or the potential client.

Fourth, given the likely reality of a tight fiscal policy for all orders of government for the foreseeable future, and the prospect that health services will remain a political priority for some time, it seems prudent to assume that any improvements in governmental budgets for ALMMs will be modest at best. This in turn re-raises an issue from the morning session in which it was noted that ALMMs are but a tiny fraction of provincial spending on education and social services. ALMMs for the unemployed are often remedial measures. Certainly they are for the client groups with special needs. Arguably, therefore, some of the onus for helping these groups prepare for the world of work is the responsibility of the mainstream primary and secondary education and social service systems in the first place. At one level, such a statement is, of course, too general to be very helpful given that many factors contribute to marginalization (e.g., socio-economic status in early years, family and community-related factors, the presence of disabilities, etc.). It also begs questions about genuine resource constraints that also exist in these much larger systems. (Who has not heard of special education being cut by school systems during the 1990s in connection with fiscal tightening?) Yet given that those responsible for ALMMs allocate relatively small resources, it is reasonable to focus some attention on understanding the relationship (if any) between the successes and failures in the other public systems and the size of special needs groups. On a more positive note in this regard, high school dropout rates have fallen significantly in Canada. And if recent student scores of international tests are to be believed, Canada's educational system has improved relative to other countries. Thus a question arises as to whether the pipeline will generate fewer marginalized clients in the future than is now the case.

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Finally, it is worth observing that there was no mention of shortages of professional trainers and/or counselors relative to current levels of program funding. Whether there would be adequate and appropriate resources of trainers and counselors in the event of enhanced funding for special needs groups is not clear. In this regard, there seems to be a consensus that more must be done to help special needs groups. The Government of Canada, for example, has indicated its readiness to consider, in co-operation with provinces and territories, and other partners, targeted skills development initiatives for various groups facing particular barriers to labour force participation.⁸ Assuming an action plan emerges, do the appropriate training and counseling resources exist to supply these incremental services?

Part VI: Achieving Full Labour Market Participation

This theme followed logically from earlier sessions that had, as noted above, raised the need to provide better services to marginalized groups. In this regard, **Gerry Boychuk** (University of Waterloo) was a good choice as first speaker because some of his recent research has focused on new challenges in identifying the marginalized. He was also a good choice because his remarks questioned the seeming consensus on the diagnostic referred to above.

Boychuk began by arguing that an overriding objective for ALMM policy is to deliver services to the target audience. This has to include those most in need who want to work. Yet identifying the target individuals is perhaps becoming more difficult. With tighter EI and SA eligibility, people who might have previously been covered by one or the other of these programs may have now fallen off the rolls of these programs. That is, there is an unknown number of people who may have large needs but who are no longer on government lists. A related issue is that because people only become eligible for provincial ALMMs when they fall into social assistance, this is costly for the affected families because they first have to deplete their assets. He remarked that with tighter provincial eligibility for SA, and with SA recipients increasingly expected (as a normative matter) to have meaningful labour market attachment, this target group is likely made up of people who are very difficult to help. SA rolls are now made up of families that have been on social assistance for long periods and that have been long removed from the labour market. Many of these families are not easily helped by active measures. To the extent that this group is the main target, the returns (per dollar spent) may be fewer than focusing on clients who are less disadvantaged. There may, therefore, be a trade-off between maximizing net benefits to society and helping those with the largest barriers to employment.⁹

Boychuk observed that provincial authorities have increasingly chosen to require training and work-related programs as vehicles to help people get off welfare. At the same time, they have imposed these programs as a condition

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for receiving welfare. Boychuk argued that this kind of policy is harder to sustain during periods of high unemployment than in better economic times, and it may impose difficult pressures on those who administer ALMMs in the sense that they are being required to succeed with hard-to-place clients during difficult economic times. Even more problematic, to the extent that they succeed during periods of economic weakness, they may simply be displacing others who would otherwise have had jobs, without government assistance.

Boychuk raised questions about the relationship between passive and active measures. He noted that they were being treated as dichotomous during the proceedings. For some purposes, however, this is misleading in that income replacement programs can be designed to have strong work incentives (and he gave as examples the National Child Benefit and the Self-Sufficiency experiment in Canada and the Earned Income Tax Credit in the United States). The availability of affordable child care can also make a big difference when it comes to work incentives for people on programs like SA, highlighting the importance of program coordination outside a narrowly defined definition of employment programs.

Gary Birch of the Neil Squire Foundation, which focuses on people with mobility disabilities, spoke next. Beginning with Statistics Canada data on the prevalence of disability, and the numbers in the workforce with disabilities, Birch told a story of people with disabilities being much less likely to be employed than other people and of being employed for shorter periods. This dismal performance was true for both the private and public sectors. Looking ahead, the situation seemed likely to become worse, not better. Consequently, the great majority of people with disabilities are marginalized, having experienced exclusion for many years.

The solution, Birch argued, is for targeted, individualized long-term holistic programs with the client at the centre. But most programming concentrates on individuals who are most ready to work, with the more marginalized simply being left out. What is required is a long-term political commitment and this will only happen if society demands it.

Turning to the incentive structure faced by people with disabilities (PWD), Birch noted that many must be allowed to maintain their supports and benefits when they return to work. And if they should happen to lose their jobs, they need rapid reinstatement of their income support. Without such

arrangements, they risk being stranded without essential income and supports if they lose their jobs. This is a disincentive to taking a job. Furthermore, many PWD lack literacy and other labour market skills. And employers need to be encouraged to take seriously the need to recruit employees who have disabilities. They must make the investment and undertake awareness training in respect of existing employees.

Birch argued that there is a five-to-one payback ratio from the kinds of societal investments he is recommending. He pointed specifically to the important role that relatively inexpensive low-tech assistive technology can play in providing opportunities for PWD.

Birch's general conclusions included the proposition that LMDAs must be modified to make mainstream programs fully accessible to people with disabilities. At a broader level, he called for a pan-Canadian labour market strategy that integrates LMDAs, the Employment Assistance for People with Disabilities program, and the Opportunity Fund. He also called for additional resources to fill gaps that remain after this integration.

The third panel speaker was Chief **Roy Mussel** from British Columbia. His perspective was informed by his leadership at the local level and the several roles he fills as a manager of an Aboriginal Human Resource Development Agreement (AHRDA), as chair of a group in British Columbia that includes some 10 AHRDAs, and as a participant in an Assembly of First Nations group, which seeks to effect coordination across Canada. The purpose of all these functions, and for others like him who carry similar responsibilities, is to reduce the gap between Aboriginal people and the rest of Canadian society on such matters as employment rates, unemployment rates, income levels, and so on. To date, the evidence suggests that Aboriginal people are holding their own, but the gap is not narrowing.

Chief Mussel noted that much of his work, and the work of AHRDAs, entails the building of partnerships. In this regard, he noted that all organisations have their own ways of doing business, that we all try to maintain some control over what we do, and that trust is an essential element of getting things done. Effective partnerships, therefore, require each partner to understand the mandates and values of the partners in the group.

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Mussell pointed to the fact that his AHRDA has helped to create special Aboriginal service agencies through its resource allocation decisions. Another thrust has been to work with school districts with two aims: to persuade Aboriginal students to complete their schooling; and to help with the transition from school to work. He reported that it is important as well to work closely with First Nations' health, education, social development, and economic development departments. In short, an integrated approach to services is essential.

The chair remarked that all three presenters had seen labour market programs as but one component of a range of services and benefits that are required to support successful entry into the labour force by people in disadvantaged groups. Birch commented that there is still a kind of administrative divide in that LMDAs do not reach far enough in the direction of those who are not, and who have never been, EI-eligible. Chief Mussell noted that the Aboriginal Human Resource Development Council of Canada was attempting to bring the demand and supply sides together, with some good results in the Prairies in relation to apprenticeable trades.

One participant mentioned that more attention has to be paid to "readying our workplaces." If PWDs or Aboriginal peoples arrive at a workplace that has not been prepared to use their services effectively, they will not stay. Concrete examples of such failures were cited from the Saskatchewan experience. Birch returned to his earlier theme regarding the need for employers to make a serious investment. They must do so not just in relation to physical infrastructure. They must also understand that they may also have to adjust job descriptions to reflect what PWDs can do. Mussell affirmed the importance of employment readiness and the willingness of Aboriginal organisations to work with employers to discuss employee retention issues.

Another participant noted that the situation was so dismal that the Council of Canadians with Disabilities would now be happy with targeted initiatives even though the real priority for his organisation is for PWDs to receive the kind of special supports they need and otherwise be accommodated through mainstream programs. The 1990s saw the erosion of the gains of the 1980s and PWDs are now operating in an environment of exclusion. A third participant raised the idea that there needs to be less policy and more talk about identity, about preparing the local economy, and about readying people within the community to participate in that economy. And a fourth asked how,

given Canada's relative weak productivity performance of recent years, employers can be reasonably expected to recruit persons other than those who will be very strong performers.

Another speaker from the floor remarked that almost all of Canada's persistent low income is found among PWDs, Aboriginal peoples, single mothers and recent immigrants. Three of the four groups had been discussed at this panel and all three had been pessimistic, or at best neutral, about recent developments. He asked whether there were arrangements outside the LMDAs that might relieve his sense of gloom. The reaction from the panel did little to offset his mood although the chair noted that gloom can be good if it serves as a catalyst to action.

As a method of introducing more flexibility into the system of ALMMs, a suggestion was made from the floor that a non-categorical flexible fund be made available to program managers to be used selectively to help worker and employer clients with needs that otherwise cannot be satisfied. For individual clients there could be a modest ceiling, say \$500. This could be spent on anything from a piece of technology to car repairs to short-term child care.

The AHRDA with the Alberta Métis people was also discussed as an example of a strong working relationship between that people and HRDC. There was also an expectation of a similar relationship between the Métis and the Alberta Ministry of Human Resources and Employment in the province. Three-fifths of the AHRDA funds are from the CRF, which provides flexibility in possible relationships with other partners including provincial governments.

Commentary

This panel marked a movement away from the organisational and process focused discussion of some of the earlier panels. Instead it concentrated on client groups that are especially disadvantaged. With this change in focus, there was a parallel change in tone. While the initial day of discussion featured an upbeat tone, the conversation in this panel was more sobering. In terms of outcomes, there was a sense that little or no progress was being made.

Indeed, Boychuk speculated that the situation may have deteriorated because it has become more difficult to identify the most needy. And those most familiar with the circumstances of persons with disabilities seemed

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convinced that past gains had been eroded. Although Aboriginal spokespersons were positive about the potential inherent in their AHRDAs, as provincial officials had been with respect to LMDAs, there was no evidence provided that outcomes for Aboriginal peoples were improving.

Rather, the central theme of this panel was what one might have expected in the light of the dominance of the fiscal agenda in the 1990s (like PWD, single mothers, and others with little or no labour force history). The reduction in federal CRF funding during that decade had hurt the groups that had previously most relied on it. There was no discussion, however, about whether provincial governments had attempted to fill the breach. In the first day, provincial officials had talked of combining funds from the federal government with “own source” revenue. But this panel was quite pessimistic about the results on the ground for certain groups with multiple barriers to employment. It thus re-raised the question posed initially by Phil Jensen as to whether the right clients were being served and whether the service was making a difference.

Part VII: Indicators Used to Assess Labour Market Outcomes

Good and timely information is often said to be the lifeblood of markets. This is no less true of markets that entail employer-employee relationships than it is of product markets. Information that is relevant to labour markets comes in a number of distinct, if linked, categories and this was the subject addressed by **Peter Hicks** (Ottawa-based social policy consultant) to launch the fifth panel.

Hicks' message was that the future of ALMMs is in doubt unless we learn how to use information more effectively. He repeated the frequent observation that not enough is known about what works and why in respect of ALMMs. He then proceeded to lay out the central features of an ideal information system, analyzed the distance between the information that is available now and the ideal, and provided some ideas of how to get "from here to there."

Hicks' ideal system includes information on inputs and processes, outputs (to assess program performance), and outcomes (cost-effectiveness). Inputs include the characteristics of those in a program, the type and duration of the intervention and the resources used. According to Hicks, "we are actually pretty bad at measuring inputs surprisingly." Dollars may be recorded but little attention is paid to coding interventions and little is known about what happens to the client. A problem here may be that the desired information is found in some other organisation's system.

Outputs include immediate items like skills, experience, credentials and subsequent results like employment and earnings at selected times after the intervention. These can be obtained from administrative records and various surveys. Hicks argued that outputs are relatively easy to obtain.

As for outcomes, they are concerned with how much "difference" the intervention makes for clients as compared to non-clients with similar

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characteristics. Measures include effects on employment status, earnings and transfers received. This requires comparative analysis through evaluations, experimentation, and the like.

While Hicks was more positive about Canadian performance on measuring outputs and outcomes than he was about inputs, his central focus was on the need to integrate all three to allow for continuous learning. Ideally, the front-line worker would be able to look at the characteristics of a new client, examine the history of past interventions for clients with similar characteristics, and make an informed decision about whether and what kind of an intervention was likely to be cost-effective.

Integrating information systems is more difficult to accomplish with program decentralization but it can be done. Without integration, we will not be able to explain the relationship between programs and expenditures, and outputs and outcomes. The partners thus must develop a common strategy, which includes common goals and principles, specific detailed standards for common information to be collected, processed and disseminated, and clear delineation of roles. HRDC had once gone down this road but had fallen afoul of privacy law and other barriers. A new institutional mechanism is needed to give birth to such a system. The creation of a separate institution for health information might be a precedent although Hicks outlined several options. The key is to ensure that the pieces fit together. Since such an enterprise is costly, some form of co-operation is needed to manage costs. In this regard, he cited OECD studies that point out that decentralization may have gone too far in some countries, especially in relation to costly overheads like design and evaluation expertise, operation of information support systems, and in conducting experiments and other forms of evaluation.

Andrew Sharpe of the Centre for the Study of Living Standards spoke next. In some respects his remarks were an elaboration of the first panel in that they were context setting. Sharpe focused on trends in “labour market well-being.” This is an outgrowth of pioneering work on “economic well-being” that he has undertaken with Lars Osberg of Dalhousie University. This innovative research aims at providing an alternative and better measure of well-being than gross domestic product per capita.

Economic well-being is measured by reference to four factors: consumption flows, changes in the stock of wealth (which not only includes

financial assets but also items like human capital, natural resources per capita, and the social cost of environmental degradation), equality and economic security (linked to risks associated with unemployment, illness, single-parent poverty, and poverty in old age). For all four components, Sharpe provided data showing Canadian and U.S. trends since 1971. The big picture that resulted was smaller improvements in both countries in economic well-being than in GDP. Canada improved faster than the United States until the 1990s, but recent data showed significantly better American performance than Canadian. The recent gap between Canada and the United States is heavily associated with the deterioration in economic security in Canada.

The four elements that make up the index of labour market well-being parallel those for economic well-being: labour market income; human capital; equality of labour market income; and labour market security. This last indicator is in turn an index that reflects three inputs (probability of becoming unemployed, probability of collecting EI if you are unemployed, and the EI benefit level relative to average wages). Sharpe observed a steep decline in this last component in the 1990s although there has been a recent small upturn. Much of this decline was associated with changes in policy, especially EI policy.

Yvonne McFadzen (Alberta Human Resources and Employment [AHRE]) and **Jim Blain** (HRDC) made the last presentation. They jointly described work by the two governments that constitutes a serious effort toward the ideal system proposed by Peter Hicks. The so-called three “primary indicators” of performance for evaluating LMDAs are the number of claimants served, the return to employment of claimants, and savings to the EI Account. McFadzen recalled that these indicators were imposed on provinces by the federal government as a condition of securing a federal-provincial agreement. What enabled Alberta to accept these primary indicators was an expectation that targets for all three would be relatively easy to reach.

Blain went on to remark, however, that HRDC had all along recognized that the primary indicators were not, on their own, an adequate basis for evaluation. But they were a start that would be easy to implement in all jurisdictions, allowing for some cross-Canada comparisons of performance. The LMDAs anticipated bilateral development of further indicators that would focus on the medium term.

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The joint presentation in fact was a report card on an Alberta-Canada project aimed at developing and implementing medium-term indicators of performance under the Alberta LMDA. One of the key points made by McFadzen, however, was that the primary indicators, at least in an Alberta context, had not proven to be benign. To the contrary, early results showed that the indicators had skewed client selection toward the relatively job ready and influenced choice of intervention toward the shorter term. Moreover, the indicators were not helping Alberta with useful information on its broader labour market strategy, for example, on how well it was doing in filling skill shortages. She pointed out that other indicators in the LMDA had the appearance of being more medium-term (e.g., sustained employment due to programs and services, reduced dependence on EI and SA, increased tax revenues) but that, on reflection, “they are mostly just the short-term indicators sustained in the longer term.”

McFadzen went on to describe an HRDC-AHRE process focused on developing a more meaningful set of medium-term indicators while Blain concentrated on some of the content. On process, McFadzen described a collegial and intense relationship, not the federal unilateralism that had characterized the choice of the primary indicators. She referred to a partnership of equals that would develop Alberta-based data that would inform future Alberta decisions (both in policy development and in the daily front line servicing of clients). This work began with an extensive brainstorming session that included policy, program design, and delivery people from both governments that had helped with priority setting for indicators. Since then, the technical staff have been identifying and testing possible sources of data for the priority items. Information is also being developed for the sub-provincial level. The work is now advanced and initial results were expected for the end of March 2002. She noted that the combining of federal and provincial resources was not only helpful technically but also in building the long-term relationships that are required to sustain this partnership, part of the institution-building to which Peter Hicks had alluded.

Blain then probed the content side of the relationship. He began by stressing how important evaluations are within the federal system, observing that the Office of the Auditor General audits the evaluation process of all federal departments. He stressed as well the importance of all the key players being involved in the design of evaluations so that they will have the confidence to act on evaluation results.

Blain noted that the EI Act requires that there be an annual review of effectiveness and efficiency of Part II measures and that this report be tabled in Parliament. Under the LMDAs, results-based indicators are required for each individual province/territory and Ottawa and its provincial/territorial partner must jointly develop them. The information must be credible, comprehensive, transparent and timely. Among other things, this requires an assessment of cost-effectiveness, improvement of employability, and impacts on worker earnings. Blain further noted the need for “multiple lines of evidence” and that “the game plan of HRDC over the longer term has been to develop short-term indicators, medium-term indicators, to undertake formative evaluations and to undertake summative evaluations.” The short term enables continuous tracking to go on with regard to initial results, but it is recognized that they do not shed light on the sustainability of results. Hence the need also for the medium-term indicators, which are in some respects much more important. But even medium-term indicators have their limits as they do not address program design issues or the impact of interventions in addressing basic labour market challenges. Formative evaluations help to determine possible operational problems in programs. And the summative evaluation, of course, is the main instrument for judging longer-term employability effects and net effects on EI and SA. Summative evaluations should also help shed light on the extent to which labour demand and supply imbalances are being offset through interventions. At the same time, such evaluations for a single province are costly, ranging anywhere from \$250,000 to \$400,000.

In reply to questions from the floor, the two government panelists noted that their proposal for medium-term indicators allows for interprovincial comparisons even while contemplating modifications to suit local specificities.

A concern was expressed from the floor that there is a huge disconnect between this detailed methodological work being undertaken by governments and the reality of unserved and underserved clients from various disadvantaged groups. The governments are constantly working things out among themselves but excluding the community groups that are often the delivery agents and/or the representatives of the disadvantaged themselves. While Blain explained that the results of medium-term indicator work and summative evaluations will be available to all, and potentially will lead to program changes that could benefit such groups, those excluded from the federal-provincial process thought they might have useful contributions to make in the construction of better indicators and evaluations. A related concern was

that the evaluative material is being focused on LMDAs, not labour market programs more broadly, so that the evaluations may not address the impact of the shortfall in CRF money for disadvantaged groups. Blain expressed openness to extending evaluations beyond the LMDAs if provincial partners were willing to have provincial programs evaluated in conjunction with LMDAs.

On the above deliberations, a contrary view was also expressed. Citing evidence from Eastern Europe, one participant observed that bringing too many partners into the design of performance measures could make the process too heavy. It can also lead to too many performance measures making it hard to interpret evaluation results.

A provincial official from the floor also strongly questioned the idea of the LMDAs as a cozy federal-provincial “love-in” from which stakeholder groups had been excluded. Provinces and territories had signed on to the LMDAs because they were an improvement over what had previously existed and were, in a sense, the only deal available from Ottawa. But provinces and territories had argued from the beginning that LMDA eligibility criteria were too narrow and that the way LMDAs are framed would not address fully the kinds of needs that exist in the labour market.

Commentary

The Alberta-Canada work on medium-term indicators appears, at first blush, to be a significant step in the direction of the ideal system referred to by Hicks. Until further information is available, however, it will be unclear how the comparison group has been selected and, therefore, how robust the system will be for determining outcomes. Still, what has been promised is encouraging, a point that Chris O’Leary supported strongly.

Second, developing evaluation methodology is expensive, a point remarked on by both Hicks and Blain. Unfortunately, the discussion did not reveal to what extent the federal-Alberta work is being shared with other jurisdictions or whether equally costly and time-consuming federal-provincial efforts are underway with all signatory provinces. In this regard, there is a tension between the cost side of the equation and the importance of having each provincial partner ensure that indicators be relevant for its jurisdiction (which had both a territory-specific and “buy-in” dimension).

Third, the McFadzen presentation suggested that the primary indicators had distorted provincial decision making – that they had led to adverse impacts on front-line decisions regarding client choice and selection of intervention. Blain appeared to ignore this concern with his argument for multiple lines of evaluation. It would be interesting to know whether other jurisdictions have had experiences similar to those of Alberta. And equally important, it will be important to monitor whether, as the medium-term indicators become operational and are used in conjunction with the primary indicators, any distortions disappear.

There was a clear link between this panel and the immediately preceding panel on full participation. Clearly, whatever progress is being made at the intergovernmental level – be it on accountability measures (as discussed in this panel) or other issues – there are groups who feel grossly underserved by ALMMs.

In relation to client groups that receive few benefits under LMDAs, a theme re-emerged during this discussion that had been raised in earlier discussions, namely, that provinces were open to widening the LMDA clientele, if only the federal government would relax eligibility criteria. Yet there is nothing to stop provinces from funding non-LMDA clients through their own funds if in fact they consider them high enough political priorities. In general, provincial officials did not provide details on the extent to which they are funding ALMMs of their own, above and beyond the financing they receive from the federal government.

On this last point, it is, of course, understood that provincial governments believe that there is a vertical fiscal imbalance in the federation.¹⁰ This might help to explain why provincial finance ministries might be reluctant to undertake incremental expenditures in this area, especially since, until the mid-1990s, Ottawa had provided significant funding through its CRF for these client groups. At the same time, provinces are free, even if they wish to hold the line on spending, to re-allocate within provincial budgets.

The fact that the medium-term indicator work is being developed in and with Alberta is perhaps a cause for some optimism. The Government of Alberta has been a leader in Canada in developing performance measurement systems. This kind of work is taken very seriously in that province as well as in Ottawa. This should augur well for the broader development of information systems that serve evaluation and, ultimately, client and taxpayer needs.

Part VIII: Future Challenges and Directions for Labour Market Policy

Eric Newell of Syncrude Canada led off the final panel. He spoke about the need to make the most out of Canada's up-and-coming labour force. Providing opportunities to disadvantaged people, including young people and Aboriginal people, is also important to firms like Syncrude because they improve the future supply of skilled labour in an industry facing demographic change and potential skill shortages.

Syncrude is one of Alberta's largest employers and Canada's largest employer of Aboriginal people. The educational system clearly has a role to play in preparing young people for the work world, but the entire burden need not rest on its shoulders. Partnerships with other sectors can facilitate the school-to-work transition. Newell described a partnership called *Careers: The Next Generation*. Syncrude played a major role in putting this partnership into place in Fort McMurray, Alberta. What it does is make the workplace an extension of the classroom so that students can get a good look at the world of work before they have to make job decisions. It also provides a head start in acquiring employability skills and experiences. For this partnership, the main focus is on the two-thirds of students who are not university bound. *Careers* begins working with youth in grade 9, focuses on career awareness in grade 10, and in grades 11 and 12 it helps to develop career pathways in collaboration with educators.

Careers builds on Alberta's registered apprenticeship program that enables students to do their first year toward a journeyman title while completing grade 12. Employers come to the table by providing workplace experiences and internships. The entity is now five years old, operating throughout Alberta in 98 communities, 172 high schools, with 570 employers, and providing workplace opportunities at any point in time for over 1,000 students. During the last year, 16,000 grade 10 students participated in career workshops.

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Newell portrayed *Careers* as a win-win-win partnership. For business, it helps to generate a motivated workforce of the future. For students, it provides pathways to rewarding careers. And communities are able to foster opportunities for their youth, which helps to strengthen their economic and social base for the future.

Newell then elaborated on Syncrude's role as the largest employer of Aboriginal people in Canada. Through direct and contract work, about 13 percent of its workforce is Aboriginal, which is the equivalent of 700 full-time employees. The 13 percent number, he said, is also the Aboriginal share of Alberta's population. These employees are highly paid (averaging \$60,000 annually before benefits), highly skilled, and excellent employees. Syncrude also does \$90 million annually in business with Aboriginal companies.

The partnership with Aboriginal peoples took many years to build and, while this was developing, Syncrude "made every mistake in the book..." But it persevered. Building partnerships requires a commitment "for the long haul," not a "quick fix" mentality. Given that Canada's overall population is aging, and that Aboriginal peoples (being younger) will constitute a growing proportion of the future workforce, it is essential to ensure that future cohorts of Aboriginal youth can become productive participants in the economy of tomorrow.

Barbara Byers of the Saskatchewan Federation of Labour and the Saskatchewan Labour Force Development Board developed similar themes in her remarks, focusing heavily on the role of partnerships. Her key messages included a call for new skills and access to income support for workers while learning, access to learning opportunities, and recognition of learning. There is a need for federal leadership on skills, learning, and labour mobility. National standards are required and Ottawa must put more money into achieving them.

Returning to a theme that had arisen in earlier panels, Byers spoke forcefully in favour of industry sector partnerships that include employers, employees, government, and education and training providers to build capacity in human resource planning. In Saskatchewan, one in four new labour force entrants is Aboriginal and this requires consideration. For the labour movement, these First Nations and Métis people are a big part of future membership. Like Eric Newell, she spoke of the need to ensure that industry has the skills it needs in the future. This requires improved learning opportunities and the

need for employers to focus on issues like succession planning. It also requires better partnerships with the K-12 educational system to promote awareness of the world of work.

Ben Levin of the Government of Manitoba spoke next. He began by referring to changing needs, including not only the need to ensure new workers have the required skills but also the upgrading of the skills of the existing workforce. Like other provinces and territories, Manitoba has in place strategies for coping with its needs: a training strategy, a northern development strategy, an early childhood development strategy, and a prior learning and assessment recognition framework. Manitoba thus has embarked on the right road but the context changes continuously, and so it is in the nature of things that governments are always short of where they need to be.

Levin provided data showing that Manitoba spending through LMDAs is about \$55 million and there are some provincial training, apprenticeship, and sectoral dollars on top of that for a total of \$75-80 million. This amount is tiny compared to the billions spent on education and post-secondary education and the very large amount also expended on employment insurance and social assistance. The allocations reflect the history of how institutions have evolved. From one perspective, this may lead to questions about whether the resource allocations and institutional frameworks are appropriate. From the viewpoint of improving labour market outcomes, however, it also encourages one to look to the educational and income support programs, which is where the big dollars are found. A further implication of the way resources are distributed is the need to strengthen connections among separate entities and improve integration so that people can move across programs and institutions. While mainstream institutions need to be strengthened, alternatives must also be developed to deal with situations that the mainstream bodies cannot or will not deal with.

Credentials also need to be connected to create greater system coherence. It is also essential for governments and educational institutions to work with employers. One reason for this is to ensure that students have the skills needed to prepare them for the work world. Another is to help employers improve the learning opportunities that they provide to workers in the workplace.

Levin questioned whether governments or other actors really know what kinds of interventions work best. He thus reinforced earlier messages

from others about research and evaluation. We require a framework that includes experimentation and learning.

Levin picked up Gerry Boychuk's point that we may not always know who the clients are (or should be) and he suggested as well that it is not necessarily clear how to meet their needs. Moreover, even when things are clear, citizens may not be willing to pay the incremental taxes to finance all the needs. This is the stuff of politics, and it entails conflict as well as co-operation. Learning to better manage conflict may be more important than pretending there is political consensus when that consensus does not really exist.

Levin closed by encouraging people to see ALMMs as part of a much larger system that includes early childhood development, support for single parents, the educational system and so on. The role of high-demand high-capacity workplaces is also part of the system. Jobs are needed if training is to be meaningful.

Ron Hicks of the Alberta Ministry of Human Resources and Employment was the last panelist. Hicks spoke about four issues of which the first was labour market trends. For Alberta, these trends include tight conditions and skill shortages, a requirement for rising levels of education and training, an increasingly diverse workforce, and new innovations and technologies that require new skills.

The second focus was on special groups. Like Levin, Hicks argued that more attention must be paid to primary and secondary education. Too many students still drop out causing pressure on employment and training programs. He spoke positively about the possibility of education ministers raising the legal age at which students may leave school to 18 years and about curriculum changes to make high school more appealing. Hicks also referred to the importance of improving vocational training, pointing to an OECD study that concluded that countries which offer a vocational or apprenticeship pathway provide a more favourable transition from education to work than those that do not. The high school dropout issue is especially challenging in respect of Aboriginal children, 70 percent of whom are not now destined to finish high school. The Government of Alberta puts considerable money into Aboriginal employment and training, but the success rate is not good enough. Picking up themes that were raised by Newell and Byers, he remarked that a model that

the Alberta government is considering is one that engages the Aboriginal community with industry in the local community setting and with the local college. This kind of partnership provides the needed knowledge about the jobs that will become available locally. It also leads to contracts with local educational institutions and community organisations to identify individuals who could fill those jobs, train them, and then provide on-the-job experience, knowing that employment opportunities await the individuals at the end of the process.

Skilled immigrants are also important to meeting Alberta's skill shortages. Thus it is important to ensure that foreign credential assessment is fair, accessible and affordable. Providing English or French as a second language (English being relevant for Alberta) in an accessible, affordable and responsive fashion is also essential.

Governments could also do more to enable people with disabilities to build strong skill sets, which will require reaching some form of intergovernmental consensus on the nature and level of funding. Alberta also needs to connect better with employers to find out what will make it possible for employers to hire more PWDs.

Turning to the LMDAs, Hicks remarked that the current design requires people to adapt to programs and many are unable to do so. He questioned why the EI fund cannot be used to improve the skills of employed workers. After all, workers and employers pay into the fund.

The policy process was the third theme in Hicks' remarks. He urged that more attention be paid to challenging the status quo. He also argued for a further clarification of the relative roles of the public and private sectors and, within the public sector, delineating the roles and responsibilities of the different orders of government in relation to labour market issues. This is needed so that the change process is not adversely affected by questions of jurisdiction and "who is going to get credit for what."

Looking ahead, Hicks observed that it is difficult to "have a national framework for labour market policy" given the great differences in regional labour markets and that flexibility is essential to deal with local conditions. At the same time, he called for a bold new vision of education and training in

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which affordable and high-quality skill development opportunities are assured for all.

There was an interesting discussion from the floor about the growing surplus in the EI Account which, according to some, might soon be in the order of \$50 billion. Proposals included lowering the payroll tax further (partially offsetting the growth of C/QPP premiums), using the fund to improve benefits for the unemployed, and using it to finance training for current workers. One person also argued that the account should be segregated from the CRF and managed by an independent agency.

A second theme had to do with marginalized groups. A commentator from the floor noted that with the aging of the population, it will be difficult to keep the labour force growing at historical rates. The time will therefore come when we may have to raise immigration levels to, say, 500,000 annually (compared to gross immigration of 200,000 today) to maintain labour force growth. If somehow Canada could become successful in turning the people in the marginalized groups into employed people, then the requirement for such a large increase in immigration would ease, and currently unemployed people would live more productive and satisfying lives. Eric Newell suggested that it is unlikely that Canada will be able to attract future skill requirements from overseas on the scale noted. He noted that countries with the needed skills will face the same demographic crunch as Canada. It is wrong that so many of our Aboriginal people are not able to find gainful employment. There are also people with disabilities who could contribute more given a reasonable opportunity. We also have many immigrants in Canada who are underemployed due to an unwillingness to recognize their foreign credentials. So, we must do much more for our existing talent pool. Byers endorsed many of the points that Newell raised. As the conversation unfolded, a number of people endorsed the view that more needs to be done for both the existing employed and unemployed and that industry must play a larger role in so doing.

Another question raised had to do with whether some kind of broader labour market framework was required to clarify the role of the LMDAs in the future. The discussion of the last couple of days had made clear that LMDAs are just a small part of the education and training programs of the country. Levin had quantified this for his province, Manitoba. Yet, Ron Hicks had worried about the idea of a national framework. Levin said that, unfortunately, the Forum of Labour Market Ministers had done little in this area and that “it

has not been one of the more effective venues for federal-provincial co-operation.” He remarked that this difficulty has prevailed for a long time. While this was regrettable, it has been mired in relatively short-term disputes, not longer term needs “even though I believe with you that everybody who is in this room would say that this is something that needs to be done.”

This issue re-surfaced in a question regarding what was referred to as the “third system” (K-12 and post-secondary being the first two). The third is a loose collection of other arrangements, which include the LMDAs, AHRDAs, employer-based arrangements, welfare-to-work programs, community literacy programs, and programs for youth and immigrants. These programs arise in part because of the deficiencies of the first two systems. These “add-ons,” however, are divided from one another, fragmented and typically underfunded. They never seem to achieve sufficient scale or interconnectedness to make a coherent whole. What can be done to make this plethora of programs an integrated system? Levin noted that some progress is being made within provinces and that some provinces are further ahead than others. But he added that “we could benefit from some big-scale thinking about what that (i.e., third system) should look like.” Newell thought that there is a need to build more organic links between the “third system” and the first two systems, for example, the kinds of links he had discussed between schools, students, and employers.

Newell launched a discussion about the risk of future labour shortages causing young people to leave university before completing their training. With relatively high unemployment in recent decades, young people have tended to stay in school longer. But as society ages, there may be financial incentives that entice people to not complete their studies. Ron Hicks noted that two-thirds of young people do not attend university so the concern might be less relevant for them.

Commentary

One theme that ran consistently through this panel was the importance of having industry intimately involved in school-to-work transitions and in ongoing skill upgrading of the existing workforce. Panelists appeared to paint a much rosier picture of apprenticeship and transition vehicles than Haddow had presented in the first panel. At that time, Haddow had seen merit in new opportunities for secondary students not destined for universities, but seemed reconciled to the idea that the Canadian workplace culture was not one in

which employers systematically took responsibility for the entry-level process for those not headed to university. While the tenor of much of this panel was to point to examples of where industry involvement was working, the discussion was descriptive, not analytical. No one, for example, was able to make a link between a falling youth unemployment rate and improved school-to-work transitions (and to my knowledge, the facts do not support that such a trend exists). Similarly, if workplace training were occurring to the extent that conference participants wished, then we might expect to see rising rates of growth in labour productivity and rising real wages. But the data show inflation-adjusted wage increases to have been very small over the last decade and productivity growth disappointingly weak. The point here is that there appears to be a disconnect between a number of the conference presenters, who focused on examples of the business sector or the labour market partners more generally playing a constructive role in the successful entry into the labour force of those who do not have a university education, and more analytical work, which has emphasized the relatively modest role that employers play in such transitions. In this regard, it is important to remember that no one was calling for tax increases to raise the budgets for the programs under discussion. And even those who thought that the EI Account Surplus could be used for such ends did not grapple with the fact that the surplus in that account has been used for deficit reduction and other purposes like funding other priority public programs (however indirectly).

There was also a large disconnect between the idea that ALMMs are part of a third system and the fact that little is being done to turn that system into a genuine integrated whole. As much was said about the impracticality of creating a Canada-wide framework for labour markets programs as in its favour. While some progress was noted within provinces, there was little sense of momentum across provinces. In this regard, there was no discussion of what may be the main achievement on a Canada-wide basis in recent years, namely, the progress made on implementing the labour mobility provisions of the Agreement on Internal Trade.¹¹

In any case, for the time being, genuine partnerships within governments, among governments, and between governments as a whole and the other stakeholders are few and far between. In some provinces, the infrastructure appears to exist (perhaps Quebec and Saskatchewan are two and Alberta may have some of it), but even where it is strongest, it appears to be fragile. Part of the challenge is that each partner has its own mandate and

purpose, and mandates and purposes between would-be partners do not always connect. In other words, more attention needs to be paid to the incentive structure of different organisations (whether governmental or otherwise). Calls for better co-operation need to be accompanied by a realistic assessment of what each partner can expect to gain and to pay for from engaging in a partnership. In this regard, it is worth recalling that the Eric Newell story of a successful partnership included an explanation of how each partner stood to gain.

Finally, the discussion of future skill shortages during this panel was perhaps too one-sided. While the case that shortages will continue was argued repeatedly, there is another side to the story, which received little attention. For example, many of those who entered the labour force before the information technology revolution, and who may therefore lack necessary skills, are close to retirement. Conversely, many young workers have grown up in the world of high technology, high school dropout rates have declined (especially among females), and post-secondary participation rates in Canada are very high by international standards. Thus, with older less skilled workers leaving the labour force and young better-educated entrants, it is perhaps possible that the assumed skill deficits may be fewer than the tenor of the conference suggested.

Part IX: Design and Delivery of Labour Market Programs: Summary of Small Group Discussions

While by far the largest part of the conference dialogue was in plenary session, as described above, time was also set aside for small group discussion. The following summarizes the questions put to the small groups and the key themes to emerge from those discussions.

Q: Identify Five Critical Characteristics That Contribute to Effective Labour Market Programs

- The most commonly raised theme was that of having “flexible” programs that are responsive to both individual (often referred to as the “client”) and community/local needs. This included comments regarding a perceived need for programs to address challenges faced by target populations, such as Aboriginals, women and visible minorities.
- Promoting broad-based partnerships/involvement of stakeholders was also frequently raised. Such partnerships should include business representatives, government, labour, and other non-governmental organisations.
- Many small groups noted that good evaluation tools are necessary. This includes tools to properly evaluate the particular needs of clients *and* tools to measure or gauge outcomes. This point is probably in part a reflection of comments regarding the need for “flexible” programs. If evaluation of client needs is thorough and comprehensive, then it necessarily follows that there be some element of flexibility in what assistance is delivered to that specific individual.
- Some comments suggest that there is a lack of clarity regarding the specific objectives of labour market interventions, desired outcomes, and an apparent lack of long-term focus. There was also concern expressed regarding a lack of clarity regarding the types of intervention governments will fund and a general lack of national standards.

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Q: What Types of Actions Could Be Taken by Government to Ensure That Labour Market Programs Have These Characteristics?

- Most often, comments reflected concerns regarding eligibility criteria, which were deemed to be overly restrictive. Many participants suggested a need to ease eligibility requirements, ensure enough space for clients, and increase funding for intervention programs. Some added that the EI surplus should be used to that end.
- Some argued there was a need for more flexible forms of funding to better address the particular needs of clients. For example, some may need longer or more intense (and hence more expensive) training than others if they are to be, and remain, competitive in the job market.
- Participants also indicated a need for more timely and accurate labour market information so they can more accurately identify where the best job prospects are for clients. It was noted that aggregate national level data were generally available while local information was not.
- It was also suggested that there should be more national (federal) standards in place.
- Some commented that there needed to be more attention paid to the “jobs side of the equation.” To that end, the need for a job creation program, to compliment training, was suggested. It was pointed out that there is no point in training someone if there is no job for him or her once finished.

Part X: Some Final Comments

It has been five years since the first federal-provincial LMDA was signed. Since then, they have received relatively little public attention. This conference was thus welcome and timely in that it created an opportunity for those who are interested in these arrangements to meet with one another and discuss what has and has not been happening since the first of these intergovernmental agreements was signed.

The remaining few pages of this report are an analysis of the current state of the LMDAs in the light of the Edmonton proceedings. In her social union study, Margaret Biggs used a framework of policy, democracy and federalism as the key variables required in helping to shape a healthy social union.¹² I use a similar framework in my remaining comments by posing the following questions. What have the LMDAs meant for Canadian federalism and Canadian democracy? How effective have they been in advancing policy goals? And finally, what would be a constructive agenda for the future?

The LMDAs and Canadian Federalism

1. I start with the federalism dimension and federal-provincial relations. The above account makes clear that the LMDAs have taken the harder edges out of much of the federal-provincial acrimony that once surrounded the world of ALMMs. Indeed, perhaps because two of the first three panels consisted heavily of presentation by government officials who are working to sustain good LMDA intergovernmental relationships, some at the conference began to refer to the proceedings as an intergovernmental love-in. While federal and provincial officials denied this, hinting that much of their progress had been the result of ongoing serious and at times difficult discussions, perhaps they should have been less defensive. After all, removing a cause of federal-provincial friction is a valuable outcome in itself. Improved intergovernmental relations are something to celebrate!

2. Yet this improvement is neither as broad nor as deep as it might be. On the breadth front, there is the all-too-apparent absence of a LMDA with Ontario. This may reflect, at least in part, the apparently uniquely hostile relations that have prevailed between the governments sitting in Ottawa and Queen's Park. But if so, this does not explain British Columbia's longstanding request to re-negotiate that dates back to the late 1990s. Since the election of a new government in that province in 2001, however, this issue has apparently been moved to the back burner by the province as other challenges have assumed higher priority. In any case, significant parts of provincial Canada appear not to have the LMDAs they want. As for depth, an open question is whether the federal government is content with its decision to vacate the role of program delivery agent for major labour market services. P/T ministers have reported that proposals for further federal funding have bumped against federal requests for persuasive evidence that provincial services are effective.¹³ This is an appropriate question for the federal government to ask. But when a federal official also delivers the message that federal ministers do not find it attractive to tax Canadians, transfer money to provinces for ALMMs, and then receive insufficient recognition for their role, perhaps more is amiss. This concern is in no way softened by the 2002 Government of Canada document on¹⁴ skills and learning. It made no reference to the lack of a LMDA in Ontario. This may only be LMDA growing pains but, from a federal-provincial relations perspective, this is a message worth reflecting on.
3. The fact that Ottawa continues to do direct programming with youth is further evidence that the decentralization imbedded in the LMDAs is still not universally embraced within federal circles. From one perspective, youth programs are the least logical area for Ottawa to be directly providing. (I understand that this is a politically attractive group.) The clientele is closest in age to the provincial school systems and, to the extent school systems may have failed youth, it is arguable that provinces should assume the responsibility for their own failures. This would minimize questions about which government is accountable for outcomes and the federal government has been emphasizing accountability issues recently.¹⁵ Conversely, if older workers lose their jobs because of federal changes in trade policy or incentives for technological innovation, it is arguable that Ottawa ought to accept a larger financial responsibility for helping those whole lives it has disrupted. But the opposite is the reality. My point is not, however, to question all the program details of what the provinces do and what the federal government does. Nor is it to imply that the public

school system is ineffective. Rather, it is to suggest that the roots of the decentralization imbedded in the LMDAs are not yet very deep in the federal capital. And this was reflected in the several remarks at the conference about the need to remove remaining duplication.

4. The provincial criticism of continuing federal-provincial duplication (and it must be said that there is not a lot of this duplication beyond youth programming) was not extended, however, to duplication among provinces. I do so in what follows. While the bilateral Labour Market Development Agreements cover the role Ottawa is to play, it nonetheless appears to me that not enough attention has been paid to which elements of ALMMs should be decentralized. The argument for decentralization rests heavily on the idea that the dominant labour market for most occupations is local. From the job searcher's perspective, he or she often prefers to avoid moving homes, changing schools for children, or leaving family and friends and so he/she searches initially for a job that is within commuting distance. From an employer's perspective, it is economic to try to find a worker locally since this cuts down on advertising costs, minimizes the time required to interview candidates and so on. Employers thus make a high proportion of their hires in the city, town or village where their business is located, especially if the skills entailed are not highly specialized or in short supply. Where the local economy fails to locate the needed skills for an employer, or fails to provide the required work opportunity for the job searcher, moving beyond the local community (to the wider region, the rest of Canada or internationally) may make sense. But the local labour market is where most employers and employees find what they are looking for. Thus having direct labour market services delivered locally seems to make sense, provided that there are well-articulated information linkages to neighbouring regions, the rest of the province and the rest of the country. And in turn, this may constitute a reasonable economic and social case for provincial design and delivery of ALMMs.
5. A significant qualification to the above argument is that the economy is upskilling and that the employer search for more skilled workers, and the job search of more skilled individuals, often requires job searchers and employers to look beyond the local market. Thus the importance of labour market information systems is growing. At the same time, the growth in the World Wide Web may be rapid enough to allow such information systems, often non-governmental, to keep pace with emerging needs, although whether it is doing so in a user friendly fashion is an important question. This issue was not discussed during the proceedings.

6. In any case, the economic argument that supports decentralization does not apply to all elements of a well-functioning set of ALMMs. To the extent that removing barriers to labour mobility is important for productivity growth and also an essential component of citizenship, it is important to have similar standards for occupations and professions across the country (or a system of mutual recognition). Designing these standards is both costly and time consuming, however, and replicating the exercise from province to province is thus uneconomic.¹⁶ In the same vein, designing performance measurement systems and developing information systems to obtain the requisite indicators on a province-by-province basis is also costly. Moreover, if performance indicators differ too much from province to province, it is hard to do cross-provincial comparisons of the effectiveness of provincial interventions thus reducing the scope for interprovincial learning. Developing systems for prior learning assessment is in the same category. So too are the costs of developing training programs to satisfy emerging skill requirements. In this regard, two of the panelists who have spent time in Europe and who have studied the European situation warned the conference that not all elements of the ALMM world are best determined at the local or provincial level. In short, while the design and delivery of ALMMs may well make sense as a provincial responsibility, duplicating the design of much of the infrastructure (occupational standards, training programs, techniques of prior assessment and recognition of foreign credentials, information systems, etc.) on a province-by-province basis makes much less sense.¹⁷
7. In this regard, national sector councils (mainly federally funded) have played a role in defining emerging skill needs, developing occupational standards, and helping to design training modules. For example, the Biotechnology Human Resources Council, The Canadian Council on Human Resources in the Environment Industry, and the Software Human Resources Council have been very active and the conference heard from CSTECH in this regard.
8. At the same time, the fact that national sector councils are being replicated at the provincial level in some provinces also raises some questions. Replication can involve complementarity, with national bodies doing work that is not province-specific and provincial bodies doing what is best done at that level. But no one seems to be systematically exploring the relative roles of these two types of organisations. This will sooner or later require some attention.

9. In this regard, the Canadian Tourism Human Resource Council (CTHRC) is an interesting model. Founded in 1993, “constituents” include business, labour unions, industry associations, educators and provincial and federal governments. The Council’s board of directors includes representatives from all these constituencies, including tourism education councils (TECs) from each of the provinces and territories.¹⁸ TECs mirror the composition of the CTHRC at the provincial level. Each TEC focuses on human resource development (focusing on “delivery” whereas CTHRC does “development”) within its own jurisdiction. The TECs look to the CTHRC when new programs or resources are needed. When this occurs (e.g., new occupational standards or new training packages), the CTHRC undertakes the work and any jurisdiction that wishes to participate may do so. The CTHRC “wholesales” the new products to TECs and the TECs in turn retail them to industry. The role of the CTHRC in relation to individual TECs is determined through collectively negotiated annual memoranda of understanding between the CTHRC and each TEC. Decision making within the CTHRC is by consensus. The upshot of these arrangements is that the jurisdiction of each TEC is respected, that unnecessary duplication is avoided through the mechanism of the CTHRC, and that national products are made available where these are thought to be useful. Like other national sector councils, the CTHRC receives financial support from Human Resources Development Canada.
10. Unfortunately, examining who does what in a systematic way does not appear to be a big part of the FPT agenda. The conference was told that the FPT Forum of Labour Market Ministers (FLMM) has not yet become seized with the biggest labour market challenges and that the FLMM is not one of the more productive FPT relationships. Thus the surrounding institutional structure is not helping to push governments beyond the growing pains associated with the LMDAs.
11. Still, on an *ad hoc* basis, federal and provincial officials are cooperating on many of the issues that need to be tackled for successful LMDA implementation. Even if the FLMM is not systematically coming to grips with key issues, there is a large intergovernmental agenda that is under continuous discussion. And the criticism at the conference was not with this federal-provincial co-operation, which in many ways sounded like vintage “executive federalism,” but that the federal-provincial relationship is a closed shop. For example, representatives from stakeholder groups felt excluded from the FP deliberations on medium- term indicators and from the evaluative process.

The LMDAs and Canadian Democracy

12. This concern about the lack of openness in the federal-provincial process and the above passing reference to accountability measures provides a convenient segue into a consideration of how well the LMDA world fits with Canada's democratic institutions and processes. On this question there is good news and bad, perhaps a bit more of the former than the latter.
13. While the transparency side of the LMDAs leaves room for criticism, this is a consideration that can easily be exaggerated. For one thing, the *Employment Insurance Act* requires annual monitoring reports to be tabled in Parliament with respect to the effectiveness of ALMMs. Thus, while the daily intergovernmental process may be somewhat remote from third parties, as these performance measures become more useful (and the same applies with respect to reports of provincial programs, assuming they too will eventually become available), the opportunity of citizens and stakeholder groups to comment on priorities and program design will grow.
14. In this regard, it is important to acknowledge that even outstanding summative evaluation reports are of interest to tiny readerships only. Unless legislators or journalists make it their business to read them and comment publicly on what these documents have to say, it is most unlikely that they will make any impact on the public. Even interested stakeholder groups will be hard-pressed at least some of the time to marshal the resources to engage in a public debate on issues raised in evaluations.
15. On accountability, as the conference proceedings made clear, Canada does not lack for people who are global leaders in this kind of work. For the very big picture, the Andrew Sharpe initiative on measuring economic well-being is fascinating and promising. The Peter Hicks ideal system may even be within reach with determination and political will. The momentum here must be sustained, however, because there is a strong cadre of people who doubt that there is value for money in ALMMs. And only first-class evaluations that lead to continuous program improvements will bring the critics on side.
16. In the meantime, there is a tension between the view that the short-term LMDA indicators imposed by the federal government are a useful, if partial, measure of performance and those who argue that they are biasing the selection of clients and the choice of intervention in respect of those clients. The conversation in Edmonton did little to resolve this conflict.
17. Canada's legislative bodies have been little involved in the LMDAs or ALMMs more generally. Whether the tabling of the monitoring reports

will create an opening for federal and provincial legislators to become more engaged is an open question. Based on past history, this may remain a soft spot in the governance of ALMMs.

18. With regard to the role of social partners and other stakeholders in the governance of ALMMs, there is a need for further clarification. Based on the conference proceedings, there appears to be a consensus that they must be engaged at the local level, where actual services are provided to real clients. It was noted just above that the social partners also have a key role to play in assessing skill needs, developing occupational standards and helping to prepare training curricula. But whether and how they should be engaged in designing programs and determining priorities remains an unsettled issue. To be sure, the spokespersons for the Quebec and Saskatchewan labour force boards asserted that they are deeply engaged in such activities within their jurisdictions. But as Haddow noted at the outset, most of the labour force boards have disappeared. This was at least in part because elected political leaders did not see the purpose or virtue of having non-elected people (non-elected by the federal or provincial electorates) making decisions about how to expend taxpayers dollars. There is a tension between this last consideration and the belief that the social partners have the “on the ground” knowledge to make a difference. Finding the appropriate role for the social partners in LMDAs thus remains an important but unresolved issue of governance.

The LMDAs and Policy Considerations

19. There seems to be little controversy about the diagnostic that helps to generate the call for ALMMs. At least among those who participated, there was a consensus that a well-functioning economy and society must give some priority to ALMMs and lifelong learning. From an economy/society perspective, the analysis begins with the observation that skills shortages and unemployment sit side-by-side in all regions of Canada and that this phenomenon entails both inefficiency and inequity. To deal with these challenges requires a comparison of emerging skill requirements (demand side) and existing skills (the supply side) at the industry and regional level, projecting demand and supply into the future. Vocational standards must be specified to reflect the emerging needs of employers and then appropriate training courses designed or updated to satisfy the standards that industry requires. Such training may be important for the employed population as well as the unemployed.

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20. A second area of convergence was in respect of the need for ALMMs for individual clients to be designed and delivered at the local level. Local employers are most likely to know what kinds of jobs will need filling and, in conjunction with local educators and local community and labour leaders, they are likely to know what kinds of interventions will work best. Thus local partnerships are thought to be essential ingredients of well-functioning LMDAs.
21. There are people in the policy community, however, especially in large parts of the economics profession, who would argue that more faith should be placed in markets to resolve skill shortages. And more flexible labour market policies (less emphasis on unemployment compensation, less reliance on minimum wages, less interventionist collective bargaining/legislation) are the most efficient way of getting there. In this contrary school, it is often the case that strong doubts are expressed about the efficacy of ALMMs.
22. These doubts were not expressed at the conference, however, even though no substantial new empirical evidence was brought to bear that demonstrates the cost-effectiveness of ALMMs. To repeat, there was a shared view of what needed fixing and how, in very general terms, the fix should be done (although much less certainty about the specifics of the fix, as will be discussed below).
23. The consensus during the proceedings, at least in terms of diagnostic, also went beyond economy/society needs. There was also wide agreement among participants about the importance and need for a strategy based on the idea of lifelong learning at the individual level. Individuals need to be able to follow a path of continuous learning. Such a commitment would not only improve their prospects of maintaining gainful employment in an economy where skill needs are in ongoing evolution but would also improve civic literacy. Such a strategy should include financial incentives to that end. In other words, there is a harmony of interests between the requirements of the collective and of the individual when the idea of skills upgrading of the workforce is considered.
24. To be sure, this consensus on diagnostic did not resolve all tension within the proceedings. For example, several provincial officials spoke of the need for a greater financial commitment to improve the supply side in terms of both training and the life skills that are often a prerequisite to successful training. Others noted, however, that income replacement programs had been cut back dramatically (the labour flexibility theme) and that it was unclear whether incremental funds were best used to improve

- passive or active programs. Indeed, no serious debate emerged about how public authorities should even go about the business of dealing with these trade-offs.
25. Nor was much attention paid to the resource allocation process with respect to the desirability of skills upgrading for the employed relative to investing in the needs of the unemployed. In this regard, there was no substantive exploration of the efficacy of the Quebec training tax as an incentive for upgrading the skills of the currently employed.
 26. Moreover, when we move from the general to the specific, there is much less of a consensus about what works best for individual clients, especially over the long run. Hence there is a recognition of the need for ongoing monitoring and evaluation. This ongoing uncertainty about the longer-term efficacy of ALMMs remains an Achilles heel for this type of intervention.
 27. There was recognition that ALMMs may appear to be more effective during periods of strong economic growth than during periods of recession. In this regard, however, it must also be acknowledged that the Atlantic provinces were not represented in the panel discussions. It is possible that ALMMs have been working less well in those regions, even at the peak of the business cycle, than in stronger economic regions.
 28. The idea of government solving the unemployment challenge through make-work job creation measures was not raised once during the conference. This was, in one respect, a welcome silence. Past evaluations have cast very serious doubts on the efficacy of most direct job creation schemes. The fact that none of the participants was pushing this kind of solution to unemployment problems is perhaps an encouraging sign that governments do pay attention to lessons learned about what does not work. The implication was that “employability” measures, not job creation, were what ALMMs should be about.
 29. While this silence regarding the efficacy of job creation programs had its positive side, the silence also extended to governmental decisions that require work or training for social assistance recipients. It is important that future evaluations examine the program impacts in this area.
 30. As for the impact of the LMDAs on different categories of clients, there was a strong consensus that marginalized or special needs groups are poorly served. This is not surprising in that almost all the LMDA money comes from the EI Account and is thus, by definition, spent on people who are or who have recently been in the labour market. In several of the panel discussions, this was seen as inappropriate and unhelpful to those with

multiple barriers to successful entry into the labour market. There was also a concern that existing mainstream ALMM programs were not responding well to the needs of EI eligible people with special needs. Some provincial officials called for fewer strings on EI money, but representatives from business and labour opposed using this money (which they see as belonging to employers and employees) for client groups who have not contributed into the EI Account.

31. The agenda made explicit provision for consideration of the needs of PWD, Aboriginal peoples and EI and SA recipients. It did not invite presentations, however, on the situation of new immigrants or that part of the young population that is poorly prepared for work. Given the effect of demographics on the labour market of the future (with many needs likely to be filled through immigration), it is perhaps not surprising that these issues were raised several times during the proceedings.
32. While there were numerous calls for the federal government to allocate more money to LMDAs, including money from the federal CRF, no one at the conference recommended higher taxes or changes in federal or provincial budgetary balances to fund such an expansion. In this sense, the discussion may have limited influence with finance ministries in either order of government.
33. This failure to come to grips with the funding issue re-opens an item raised above. As already noted, there was a consensus at the conference about the merits of ALMMs and of lifelong learning. The sheer logic of a public policy focus on human capital seemed (and seems to me) incontrovertible in an age where knowledge is increasingly a prerequisite for strong economic performance at both the economy-wide and individual levels. The difficulty is that past evaluations of the effectiveness of ALMMs have been uneven in supporting this logic. The question that arises is what should be done when the macro-analysis points in one policy direction but the assessment of micro-interventions is uneven in confirming the validity of that direction.
34. In considering this question, the analogy that occurs to me is how society reacts when public school systems perform poorly. In that case, it is rarely argued that schools should be discontinued. An effort is instead made to improve the schools through enhanced accountability measures, improved teacher training, strengthened support services, sometimes through competition and so on. The same logic should apply in respect of ALMMs. This in turn brings us back to the issue of accountability referred to above and the absolute importance of improving information systems. There is a

need for continuous feedback to and from front-line interventions so that front-line staff knows what is working, and what is not, for different types of clients. That is the pathway to better performance and, in turn, reinforces the case for high priority to be placed on information systems that ask and answer the right questions, and an evidence-based approach to ALMMs.

A Work Agenda for the Future

The following is a suggested work agenda in the light of the proceedings in Edmonton. The proposals are divided between the short run and the medium and longer terms. I see no point in suggesting items for short-term action where the required political will or required financial resources are just not available. At the same time, it is useful not to lose sight of issues just because the political/financial timing may be not be ripe and hence I have included them in medium- and longer-term categories.

Short-term Agenda

1. Federal, provincial and territorial governments should continue to put a heavy emphasis on the development and implementation of medium-term indicators and summative evaluations in the context of LMDAs and other ALMMs. In so doing, governments should also make space for other labour market participants to provide input. They should also make sure that the results of these efforts receive serious attention from all labour market parties, inside and outside of government.
2. Federal, provincial and territorial governments should pursue aggressively and implement a system of labour market information that integrates inputs, outputs, and outcomes. In so doing, they should consider whether an arm's length body may be useful as a coordinating agency.
3. FPT officials should minimize duplication in developing the infrastructure of successful LMDAs. This includes the development costs of occupational standards, training standards, information systems, evaluation techniques, methods of prior learning assessment and credentials recognition, etc.
4. Linked to the third item in this action plan (specifically the cost of occupational standards), federal and provincial governments should continue with ongoing work to remove barriers to labour mobility pursuant to commitments of all parties under the Agreement on Internal Trade. The

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- Forum of Labour Market Ministers should give more priority to communicating the improvements in this field over the last few years.
5. Governments and other labour market partners should continue to focus on developing local partnerships as essential mechanisms for improving the skills and employability of individual labour market participants and potential participants.
 6. The federal government and industry, with relevant educational institutions, should continue to develop the sectoral approach to determining skill needs, national occupational standards, and training programs. The Canadian Tourism Human Resources Council should be studied as a model that effectively integrates national and provincial dimensions to labour market policy.
 7. Governments and other labour market participants should begin to develop an explicit methodology for examining trade-offs between expenditures on active labour market programs relative to passive programs, recognizing that the relationship is not always dichotomous. This should entail consideration of needs, inputs, outputs, and outcomes of different groups.
 8. The research community should examine the characteristics of the Quebec training tax and other forms of tax incentives, including their effectiveness as a vehicle for improving the skills of the employed labour force.
 9. More employers, and employer organisations, should enter into partnerships to facilitate career awareness among students and school-to-work transitions.
 10. Given the range of different governmental mechanisms for designing and delivering ALMMs as a result of the diversity of LMDA arrangements in the country, the research community should study these alternative mechanisms, including the absence of a LMDA in Ontario, and attempt to determine if some governance mechanisms are more effective than others.

Medium- and Longterm Agenda

11. Provincial and federal governments should work toward the development of an integrated labour market development strategy that recognizes explicitly the relationships and linkages between LMDAs and other ALMMs, on the one hand, and surrounding government and private systems, on the other. The focal point of such a strategy should be the individual client and the ease with which that client can move between systems and programs. The ease of movement for clients should also apply

- in respect of Aboriginal clients who move between provincial or federal programs and Aboriginal Human Resource Development programs.
12. Provincial, territorial and federal governments should address barriers that prevent some client groups, such as persons with disabilities and single parents, from accessing necessary ALMMs. This may entail either providing additional funds for ALMMs that are not directly linked to client eligibility for social assistance or unemployment insurance. Alternatively, in a cost-neutral context, this could necessitate broadening client eligibility for ALMMs within social assistance and unemployment insurance programs, without some of the restrictions and conditions that normally apply in those programs (e.g., run-down of assets or substantial labour market history).
 13. More generally, federal and provincial governments should attempt to use the collaboration referred to in the short-term agenda as a basis for building trust over the medium term.
 14. Provincial governments, in partnership with employers and labour, should continue to focus on developing further appropriate educational opportunities for students who are not bound for university.
 15. Federal and provincial governments should give enhanced attention to challenges associated with immigration settlement, including a stronger financial commitment to English/French language training and internships or other techniques for acquiring Canadian workplace experience.
 16. Federal and provincial governments should give greater priority to developing a national system of prior learning assessment and recognition that effectively covers both Canadian and non-Canadian prior learning. This should be accomplished in conjunction with regulatory bodies and other stakeholders.
 17. National and provincial human resource councils should work to minimize duplication of activities. Analysis of the CTHRC, as noted above, may provide a useful starting point.

Notes

¹ Report of the Royal Commission on the Economic Union and Development Prospects for Canada, Minister of Supply and Services, 1985; Report of the Commission of Inquiry on Unemployment Insurance, Minister of Supply and Services, 1986; Economic Council of Canada, *In Short Supply: Jobs and Skills in the 1980s*, Minister of Supply and Services, 1982; Economic Council of Canada, *Good Jobs, Bad Jobs: Employment in the Service Economy*, Minister of Supply and Services, 1991.

² Government of Canada, *Knowledge Matters: Skills and Learning for Canadians*, 2002.

³ Provincial-Territorial Labour Market Ministers, *Skill Investment for All Canadians: The Future of Labour Market Development Agreements*, January 30, 2002.

⁴ Other sponsors include the Governments of Ontario, Quebec and Canada, and the PT Forum of Labour Market Ministers.

⁵ Government of Canada, *Knowledge Matters: Skills and Learning for Canadians*, 2002, section 4.4.

⁶ Provincial-Territorial Labour Market Ministers, *Skill Investment for All Canadians: The Future of Labour Market Development Agreements*, January 30, 2002.

⁷ Organisation for Economic Co-operation and Development and Statistics Canada, *Literacy Skills for the Knowledge Society*. Ottawa: Statistics Canada, 1997.

⁸ Government of Canada, *Knowledge Matters: Skills and Learning for Canadians*, 2002, page 48.

⁹ This is not necessarily “creaming” in the sense that active measures are provided to those who are most job-ready. Rather, it is just to acknowledge that there is a risk that some of the sums spent on ALMMs for those with multiple barriers to employment may not, in practice, yield significant results.

¹⁰ P/T Ministers of Finance, *Addressing the Fiscal Imbalance*, August 2001.

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¹¹ Forum of Labour Market Ministers, *Report on Implementation of the Labour Mobility Chapter of the Agreement on Internal Trade*, July 1, 2001.

¹² Margaret Biggs, *Building Blocks for Canada's New Social Union*. CPRN Working Paper No. F|02, Ottawa: Canadian Policy Research Networks.

¹³ Provincial-Territorial Labour Market Ministers, *Skill Investments for All Canadians: The Future of Labour Market Development Agreements*, January 30, 2002, page 8.

¹⁴ See *Knowledge Matters*, op cit., page 43.

¹⁵ I am not arguing that Canadian school systems are poorly serving today's youth. Rather, I am suggesting only that, to the extent that there are failures, the federal role on youth programming may help to confuse accountability for such failures.

¹⁶ This is evident when one considers the amount of time that has gone into efforts to remove barriers to labour mobility.

¹⁷ There is a school of thought that sees merit in duplication of services for citizens (if not surrounding infrastructure). According to this theory, duplication is just a bad word for a good thing, namely, competition. In this perspective, the probability of citizens being well served is enhanced if both orders of government are seeking to meet citizen needs. Duplication in, say, programs for youth is just two governments competing to satisfy real needs. There is no evidence, however, that either order of government subscribes in principle to this perspective.

¹⁸ The arrangements in the Atlantic provinces, the Northwest Territories and Nunavut are somewhat different, with regional associations that are broader than TECs.

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CPRN's Work Network

The Work Network explores the cutting edge of labour market and workplace change. Its research program is organised around two broad themes: *Creating Tomorrow's Workplace* and *Developing Tomorrow's Workforce*. Current and planned studies focus on: access to post-secondary education, the quality of public education in Canada, Labour Market Development Agreements, human resource capacity in the voluntary sector, gender and employment in the new economy, rethinking productivity from a workplace perspective, work-life balance, healthy work environments and job quality. By highlighting how the changing world of work affects the lives of Canadians, these and other projects contribute to informed public discussion of policy options.

PARTICIPATION IN ACTIVE LABOUR MARKET MEASURES IS AN IMPORTANT STEP TOWARD EMPLOYMENT SUCCESS FOR MANY CANADIANS. Training and skill development, business start-up assistance, career information, and job search and placement supports are some of the ways that Canadians get help to enter and strengthen their position in the job market. Since the late 1990s, many of these programs and services have been designed and delivered within a framework of bilateral Labour Market Development Agreements (LMDAs) negotiated between the federal and most provincial/territorial governments. In February 2002, CPRN hosted a conference at which government officials and a wide range of stakeholders engaged in open dialogue on their experience with the LMDAs and the challenges and opportunities facing active labour market policies in Canada. In this publication, Dr. Harvey Lazar summarizes the conference proceedings and discusses key themes and implications.