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Back to Work

Modernizing Canada's labour
market partnership

BY MICHAEL MORDEN

Mowat Centre

ONTARIO'S VOICE ON PUBLIC POLICY



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UNIVERSITY OF TORONTO

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EXECUTIVE SUMMARY

Active Labour Market Policies (ALMPs) are the government programs that help un- and under-employed workers improve their skills and find jobs. Collectively, they make up the public employment service. They can be crucial to protecting individuals from the pernicious, cyclical effects of long-term unemployment.

But the framework for ALMPs in Canada has not kept pace with changes to the labour market. This should be a major concern. Structural changes to the economy are underway, including a shift away from manufacturing and towards gig and part-time work, and ongoing impacts from automation across sectors. We need a functioning public employment service, and this starts with better, more rational federal-provincial collaboration.

ALMPs are a joint federal-provincial responsibility. Since the mid-90s, provinces have been the central actors, while the federal government funds programs through a number of transfer agreements. The largest transfers, Labour Market Development Agreements (LMDAs), are funded from Employment Insurance (EI) premiums, and provide skills training programs only to workers who are currently or were recently eligible for EI. This is an increasingly smaller proportion of unemployed Canadians. Moreover, the allocation of funds among provinces is unfair and unprincipled, creating greater inequity between unemployed Canadians.

With the federal government announcing new investments in the public employment service, the time is ripe for reform and re-engagement. In this report, we outline the current ALMP framework, including all the major existing program streams. We examine the existing international and Canadian evidence on ALMPs. We then identify five major challenges to the Canadian framework:

First, there is built-in inequity, between unemployed Canadians who are eligible for EI, and those who are not. We argue that there is no persuasive policy logic for designing a public employment service which is most generous to EI-eligible workers. The people who need the most support receive the least.

Second, there are major problems with how ALMP resources are distributed across the country. The LMDA funding formula allocates money disproportionately between provinces, systematically underserving Ontario and the Prairie provinces without offering any rationale for why.

Third, the mosaic of existing federal, provincial, and third-party programming is deeply complex and user-unfriendly.

Fourth, stakeholders universally complain that we do not have good enough labour market data. To make smart policy, we need a clearer picture of the labour market as it exists today.

Fifth, the fragmented nature of the transfers system limits the flexibility of provinces to experiment with balance in program design. There are both supply and demand sides to employability, and provinces' ability to reflect this is limited by the structure of federal transfers.

We argue that a renewed public employment service must be:

» **Equitable**

Between unemployed Canadians needing help, between communities, and between provinces and territories;

» **Responsive**

To the needs of workers in the contemporary labour market, to local and regional labour market needs, and to the needs of employers; and

» **Open**

Meaning the programming should be understood by prospective clients and employers, and should be evaluated on an ongoing basis against high quality data.

To that end, we suggest the following concrete actions be taken:

- » The federal government should negotiate with each province a single transfer agreement to replace the multiple transfers that exist currently.
- » The allocation principle for the new transfer should be on a per client per province basis, or as near as possible.
- » The single transfer should be funded from general revenue, as well as EI premiums, to eliminate the distinction between insured and uninsured unemployed workers
- » The single transfer should include funding for the youth-focused public employment service programs that are currently administered by the federal government.
- » The Forum of Labour Market Ministers should be strengthened through institution-building, so that it can provide national oversight with input from sectoral stakeholders.
- » The federal government must reinvest in labour market information.

A welder wearing a protective mask and gloves, working on a metal structure with bright sparks flying. The background is dark with bokeh light effects.

The public
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1] INTRODUCTION

The labour market of 2016 is transformed. Canada has made steady though uneven economic progress since the recession of 2008-09, but the spectre of unemployment is always present. Manufacturing has declined everywhere and service sector employment is up. A growing number of Canadians are in non-standard work, or have no recent work attachment.. Part-time, freelance, and “gig” work represent an ever-growing share of new jobs. Technological changes are driving and outpacing changes to the composition of the labour market, with recent research suggesting that a large proportion of the Canadian workforce could be affected by automation in the next decade¹. Young people and new entrants to the labour market were particularly hurt in the recession, and are rebounding only slowly. Some regions of the country have reported divergence between the needs of employers and the skills of prospective employees. New challenges need new policy approaches.

But in some key respects, Canadian labour market policy is stagnant – more responsive to the economic conditions of 1996 than 2016. This is, troublingly, true of Canada’s active labour market policies (ALMPs). ALMPs comprise the interventions by governments to help unemployed individuals find work – the public employment service. They includes programs that make training available, provide job search assistance, or subsidize income to create new, short-term employment opportunities. ALMPs operate alongside “passive” labour market policies, like Employment Insurance, which replace lost income.

The public employment service is critical to ensuring that Canadians do not get locked into self-sustaining cycles of long-term unemployment. But Canada’s ALMP landscape is not as well suited as it could be to the contemporary and emerging economy, and this should be a major concern. A significant proportion of the investment in advanced ALMP programming is linked to eligibility for Employment Insurance (EI) – a program which itself is outdated and unreformed in important ways.² This leaves an increasing number of

unemployed Canadians underserved, while also maintaining long-standing interprovincial inequalities. Moreover, ALMPs are hampered by imperfect and incomplete data, and inefficiency in policy design.

It is therefore encouraging that the federal government has expressed a desire to re-evaluate the ALMP framework. The 2016 federal budget announced new investments in training programs for the unemployed. And in the mandate letter to the Minister of Employment, Workforce Development and Labour, the Prime Minister has given instruction to “Improve workers’ access to good quality job training that provides Canadians with pathways to good careers,” including “rationalizing and expanding the intergovernmental agreements that support skills training”. This ambition aligns nicely with the expressed desire of the provinces to improve the ALMP service offering for unemployed Canadians. The time is ripe for reform and re-engagement.

In this paper, we seek to contribute to the upcoming conversation on the public employment service by identifying key shortcomings in the current ALMP framework, and offering principles and practices that should be reflected in what comes next. In it, we analyze:

¹ Lamb 2016.

² Davis, Hjartarson, and Medow 2011

- » What ALMP programs exist currently, and how effective are they?
- » What central considerations should guide the renewal of the framework?
- » How can provinces be served more equitably in a renewed framework? And
- » How can we improve the accountability and evaluation of ALMP programming?

In general, ALMPs appear to help Canadians get back into work – though there is strong variance in outcomes from program to program, and not always adequate program evaluation. But there are some lingering challenges to the effectiveness and fairness of the ALMP framework in Canada. We identify five critical shortcomings:

1. There is a fundamental inequity between insured and non-insured unemployed Canadians.
2. ALMP resources are also inequitably distributed across the provinces and territories.
3. The mosaic of existing federal, provincial, and third-party programming is deeply complex and user-unfriendly.
4. We do not have access to good enough labour market data.
5. More balance between supply and demand is required in program design, and this is limited by the structure of federal transfers.

Most of these problems emanate from a central design flaw: the funneling of a significant proportion of ALMP funding through the EI system. EI is intended to temporarily replace income for those who contribute to it. ALMPs are meant to get workers off of passive supports like EI. But this is a fundamentally different public good: lower unemployment, by building a more employable workforce. These are different policy

goals, intended to serve somewhat different populations. To the greatest extent possible, they should be separated in program design and service delivery.

Our analysis of the current landscape, and our prescriptions for fixing ALMPs, are founded on three key principles. A new and improved framework for ALMPs must be:

Equitable

Between unemployed Canadians needing help, between communities, and between provinces and territories;

Responsive

To the needs of workers in the contemporary labour market, to local and regional labour market needs, and to the needs of employers; and

Open

Meaning the programming should be understood by prospective clients and employers, and should be evaluated on an ongoing basis against good quality data.

Federal and provincial governments must cooperate to refresh the ALMP framework with these principles in mind, to ensure that unemployed Canadians have the help they need to get back to work.

2] ACTIVE LABOUR MARKET POLICY IN CANADA: HOW WE GOT HERE

ALMPs in Canada are a product of “collaborative federalism”³. For 20 years, they have been strongly decentralized in practice, and rely on cooperation between orders of government towards the achievement of joint goals.

As an element of welfare state planning, ALMPs were traditionally the purview of central governments. Labour training was one of many fields complicated by the division of powers in Canada, caught somewhere between the federal government’s responsibility to manage the national economy, and provincial jurisdiction over education. Matters were clarified during major change in the mid-1990s, amidst a broader transformation in intergovernmental relations.⁴ In 1996, the federal government signalled that it was stepping back from ALMPs, and deferring to the provinces in planning and administration.

Most federal ALMPs came via EI Part II benefits, identified in the Employment Insurance Act “to help maintain a sustainable EI system through the establishment of employment benefits for insured participants and the maintenance of a national employment service”. EI Part II benefits, also called Employment Benefits and Support Measures (EBSMs), consist of a series of federal program streams to assist Canadians with finding work. The federal government’s offer, in 1996, was to send those EI Part II resources to the provinces. A series of bilateral negotiations followed. Alberta signed the first Labour Market Development Agreement (LMDA) in 1996, and the other provinces and territories eventually followed suit (the last LMDA was implemented in Yukon in 2010). Federal staff allocations were transferred to the provinces, along with program funding. Provinces are now undisputedly the central actors in ALMPs.

With LMDAs anchoring ALMPs in Canada, an obvious gap in labour training services existed. Since the programming provided for by LMDAs originates as EI Part II benefits, clients who are not eligible to collect EI are also not eligible for much of the more advanced programming. This gap was partly addressed in the negotiation of a new set of bilateral agreements in 2007, rather unhelpfully named Labour Market Agreements (LMAs). LMAs were six-year agreements to transfer additional revenue to the provinces for ALMP programming. They differed from LMDAs most importantly in that they were targeted to clients who were not eligible for EI, including unemployed people who did not meet EI criteria, and employed people who lacked high school diplomas, literacy, and essential skills.

With the expiration of the LMAs in 2014 came a shock to the intergovernmental system. The Federal Economic Action Plan of 2013 announced that \$300M would be cut from the \$500M LMAs, and re-directed towards a new employment training program called the Canada Job Grant (CJG). The CJG would provide grants of up to \$15 000 to employers to provide training. The provinces initially balked at the proposal, for three main reasons. First, removing \$300M from the LMAs created major financial pressure on the provinces to maintain employment training services to non-EI eligible clients. Second, the CJG appeared to break with nearly two decade-old consensus about the desirability of provincial control of ALMPs. The program arrived fully conceived – quite different from the relative

³ Cameron and Simeon 2002; Wood and Klassen 2008.

⁴ *Ibid.*

With change under way and new investments from government, the time is right to evaluate the framework.

flexibility provided through the LMDAs and LMAs. Third, serious concerns were raised about the efficacy of the program design, and its ability to serve the same disadvantaged population that had been served under LMAs.⁵ But the CJC also responded to growing criticism of existing programming, such as being unresponsive to the needs of employers, and therefore less effective at seeing people into jobs.

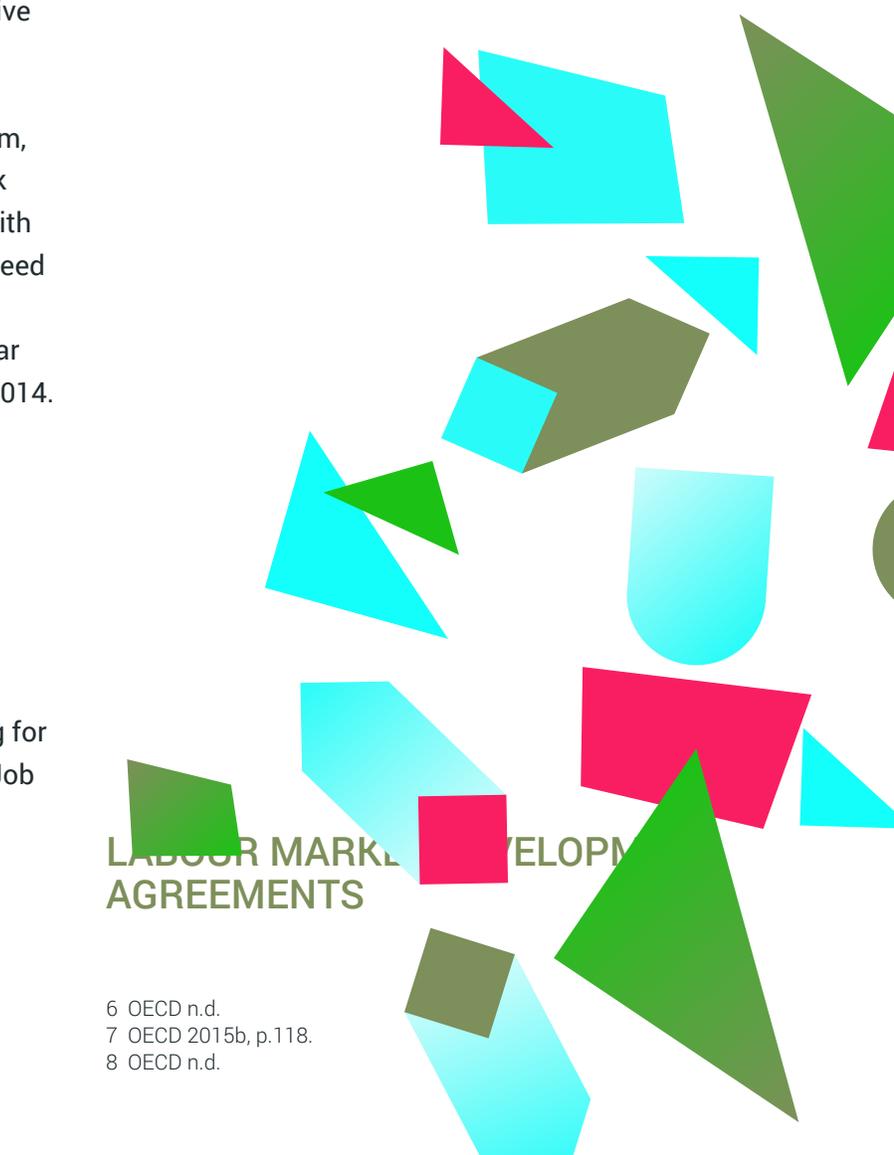
Despite provincial protests and media criticism, bilateral work to negotiate the new framework proceeded and all provinces and territories, with the exception of Quebec (for whom it was agreed CJC programming would be redundant), had committed to the renamed and revised six-year Canada Job Fund agreements by the end of 2014.

The 2015 federal election again animated the question of ALMPs in Canada. The Liberal platform promised an eventual \$500M in additional funding for LMDAs, and \$200M to support training for non-EI eligible recipients, without defining the mechanism. The 2016 budget committed \$125M of this new funding for LMDAs in 2016-17, and \$50M to the Canada Job Fund.

With change under way and new investments from government, the time is ripe to evaluate the framework. By most measures, Canada's

investment in ALMPs is small, and will continue to be despite new investment. At 0.22% of GDP (in 2014 numbers),⁶ Canada ranks 27th out of 31 OECD member states for which data is available.⁷ The relative investment in ALMPs has declined by half in recent decades, from 0.45% of GDP in 1996,⁸ when LMDAs were first negotiated and the funding formula set. It is therefore crucial that the ALMP delivery framework is modern, efficient, and effective.

So are Canadians getting bang for their buck? Does this system, in its present form, make sense? Does it work?



LABOUR MARKET DEVELOPMENT AGREEMENTS

6 OECD n.d.

7 OECD 2015b, p.118.

8 OECD n.d.

3] THE CURRENT ALMP LANDSCAPE

As sketched out in Section 2, ALMPs operate through several federal-provincial transfers, as well as other programs delivered direct from a single level of government. The primary federal mechanisms behind ALMPs include:

LMDAs are the single largest federal transfer in support of ALMPs, representing a total of about \$1.95B to the provinces. This will rise to \$2.075B in 2016-2017 with the changes announced in the 2016 budget, and may continue to rise to \$2.45B if the federal government realizes its 2015 election platform promise of \$500M in new investments.

When LMDAs were first negotiated, a formula was established for allocating funding amongst provinces which was determined partly by a set of standard labour market criteria, and partly by an effort to equalize the effects of 1996 EI reforms across provinces. The agreements included provisions for change to the funding allocation formula if there is agreement between the federal and provincial governments to do so, but it has remained the same since then.

LMDAs are the vehicle through which EI Part II benefits – EBSMs – are provided, after the administration and planning of ALMPs has been devolved to the provinces. Eligibility for many of the programs funded through LMDAs, including the most resource-intensive supports, is therefore linked to eligibility for EI. Broadly speaking, unemployed individuals can access employment benefits if they meet the following criteria:

- » They have an open claim for EI benefits,
- » They had claimed EI benefits, but the benefit period expired sometime in the previous 3 years, or
- » They had claimed EI maternity or parental benefits in the previous 5 years, and then left

work to care for children, and are now seeking to work again.

By extension, the regular EI eligibility requirements govern access to most ALMPs through LMDAs. Unemployed workers must have worked for the required number of insurable hours in the year prior to unemployment. That number is indexed to the rate of regional unemployment, ranging from 420 to 700 hours (if workers lost their jobs through no fault of their own).

The federal government distinguishes between two streams of EBSMs – employment benefits and support measures. In total, there are eight categories of EBSMs. Employment benefits, available only to EI beneficiaries, include:

Skills Development

Provide financial assistance to clients to cover the cost of professional training. Skills development is the costliest employment benefit, representing 44% of all EBSM expenditure in 2014-2015.⁹

Targeted Wage Subsidies

Provide financial assistance to employers to hire people they would not normally hire. For example, programs exist in some provinces to provide incentives to employers to hire workers lacking experience, in order to overcome the “no experience, no job” paradox.

Self-Employment

Provide financial assistance and advisory

9 Employment and Social Development Canada 2016.

services to unemployed people to help them start their own businesses. Self-employment services represented about 5% of employment benefit expenditure in 2014-2015.

Job Creation Partnerships

Create employment opportunities which are designed to also benefit the community and local economy. Job Creation Partnerships were just 2% of total expenditure on EBSMs in 2014-2015.¹⁰

Targeted Earnings Supplements

Provide financial incentives to help unemployed people to re-enter the labour force – for example, to purchase clothing and supplies. Though nominally included amongst active categories of EBSMs, targeted earnings supplements are just a miniscule fraction of EBSM expenditure currently.

Support measures include:

Employment Assistance

Funds organizations to provide employment support services, such as counselling and job search support, and which are available to non-insured clients as well as EI beneficiaries. Despite being overwhelmingly the most common intervention, Employment Assistance Services represented just about 30% of total EBSM expenditure in 2014-2015.¹¹

Labour Market Partnership

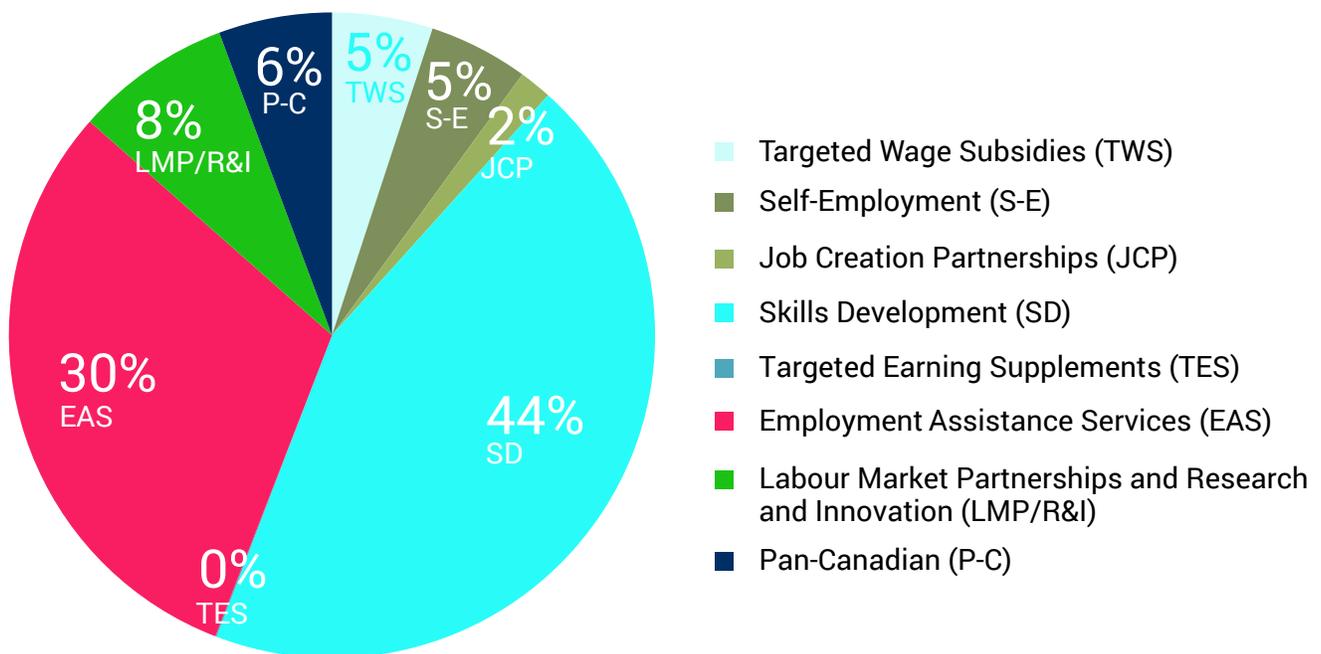
Funds employers and employer/employee associations to build capacity, so that they can effectively respond to the changing labour market.

Research and Innovation

Funds projects examining the needs of clients, and strategies for promoting employability.

LMDA transfers are open and flexible – reflecting

FIGURE 1
Relative Distribution of EBSM Types (2014-15)¹²



¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

a strongly decentralized model for service delivery. Within the EBSM categories set out above, provinces and territories have wide leeway to develop and implement programming. The delivery models for EBSM services therefore vary somewhat from jurisdiction to jurisdiction. In some provinces, such as Quebec, the provinces themselves deliver services directly to clients, through public agencies.¹³ Other provinces employ a mixed system, providing some services directly and others via third party community organizations.¹⁴ A third group of provinces, which includes Ontario, deliver services overwhelmingly through third-parties.¹⁵ So funding is transferred from the federal to provincial government, and then again through external service providers.

CANADA JOB FUND (CJF)

The CJF emerges from the expired LMAs, and maintains their focus on non-insured clients – the unemployed workers who are excluded from EI and the EBSM services funded through LMDAs. CJF programming can be accessed by unemployed people without current or recent EI eligibility, and by people who are employed, but who require basic skills and training to obtain better jobs. In total, the Fund is an approximately \$500M annual investment now. This will increase to \$550M in 2016-17 and, if the current government meets its election commitment, will eventually rise to \$700M.

Along with a different target clientele, the CJF carries a very different delivery model. It funds the CJG program, in which the federal government commits up to \$10 000 to an employer to provide training, requiring that the employer also provide at least one third of eligible training costs (less for small businesses). It also funds other “employer-sponsored training services”,

providing that employers select the beneficiaries, ensure that the training leads to employment, and contribute to the costs of training. The third category of services supported through the Canada Job Fund is much broader: services provided by the province “to enhance the labour market participation of Eligible Beneficiaries by assisting them to prepare for entry to, or return to, employment or to otherwise obtain or keep employment or maintain skills for employment”.¹⁶

Generally though, CJF programming is more bounded, and places a heavy emphasis on employer involvement.

LABOUR MARKET AGREEMENTS FOR PERSONS WITH DISABILITIES (LMAPD)

In addition to the two major transfer programs is the smaller, more targeted LMAPD transfer. The LMAPD transfer totals approximately \$220M per year. The federal contribution can represent no more than 50% of program expenditure, and is contingent on cost-matching by the provinces, but is often exceeded by the province to meet actual demand. In 2014-2015, for example, Ontario spent a total of approximately \$214M on programming funded by the LMAPD, and received \$76.4M in federal transfers through the LMAPD.¹⁷

Like the LMDAs, the design of these programs is left largely to the provinces and territories. Those programs fall generally into five priority areas: education and training; opportunities for employment participation, especially for young people; employment opportunities; connecting employers with people with disabilities; and building knowledge and best practices. Service delivery varies significantly from province to province.

TARGETED INITIATIVE FOR OLDER

13 OECD 2015a, p.65.

14 *Ibid.*

15 *Ibid.*

16 Ontario-Canada 2014.

17 Ontario 2014.

WORKERS (TIOW)

The TIOW is a cost-shared project that both the federal and provincial governments contribute to. It specifically serves unemployed workers between ages 55 and 64, in communities with fewer than 250 000 people, which experience high unemployment or rely on a single industry. The TIOW is small relative to the major ALMP streams. In the 2014 budget, \$75M in federal funds was committed to the TIOW over three years.

FEDERALLY-ADMINISTERED ALMPS

In addition to transfers through the LMDAs, the federal government also directly administers its own public employment service programs. Some of these programs fall under EI Part II benefits, and are funded from Employment Insurance. In 2014-2015, pan-Canadian programming funded from EI Part II totalled \$117M. These services include:

» Programming for Indigenous People

Because of the federal government's special constitutional responsibility to Indigenous people, it provides ALMP services directly to those communities and individuals. This works primarily through the Aboriginal Skills and Employment Training Strategy (ASETS) and a network of Indigenous service providers. The current funding agreement, set to expire in 2017, provided \$347.6M to ASETS in 2014-2015, of which approximately \$90M came from EI Part II benefits.

» Enhancing Investments in Workplace Skills

This initiative works to develop a unified pan-Canadian labour market – for example, by promoting recognition of apprentice training that is accepted in all provinces.

» Supporting Agreements with Provinces,

Territories, and Indigenous People

This initiative resources the maintenance and operation of LMDAs and ASETs.

» Labour Market Information

An initiative which allows Employment and Social Development Canada (ESDC) to monitor trends in the labour market, and provide information to prospective employers and employees.

» National Employment Service Initiatives

Which fund initiatives such as *Job Bank*, a national online jobsite maintained by ESDC.

Other federal programs exist entirely outside the EI Part II system. This includes a majority of the expenditure for services for Indigenous people, as well as:

» Youth Employment Strategy

The Youth Employment Strategy (YES) is a federal mandate, operating across 11 departments and agencies, to promote youth employment. YES is funded at approximately \$330M annually, but a major increase, by \$165.4M initially, was announced in the 2016 budget. YES has three program streams:

»» Skills Link

Funds employers and organizations to provide skills and knowledge to youth facing barriers to employment;

»» Career Focus

Funds employers and organizations to help youth “make more informed career decisions”; and

»» Canada Summer Jobs

Funds a range of summer opportunities for young people.

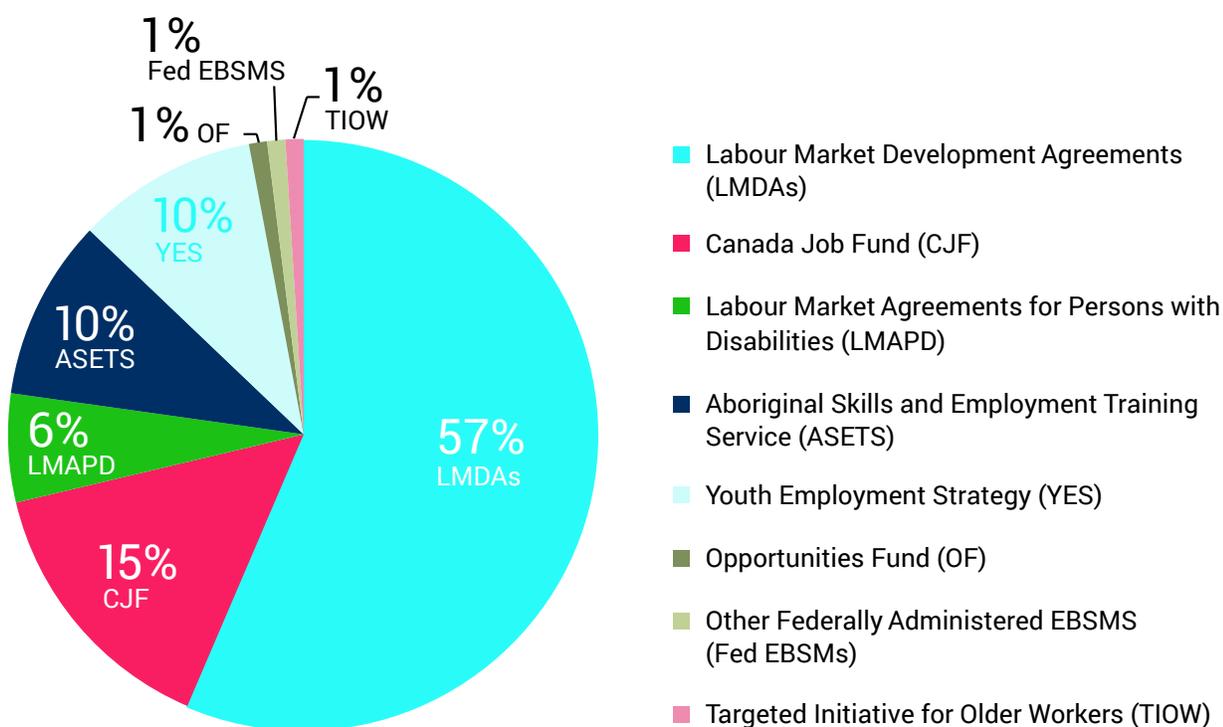
» The Opportunities Fund for Persons with

Disabilities

A federal grants program which funds a range of public employment services for persons with disabilities. Currently, the federal government makes \$40M available annually for the Opportunities Fund.

FIGURE 2

Major ALMP Streams by Proportion of Total Federal Expenditure (2014-2015)



If the above reads as a bewildering array of programs, acronyms, mechanisms, and mandates – then we’ve already identified one of the problems with the current landscape. Forty-nine separate federal-provincial agreements, more than 20 separate streams and sub-streams, with different eligibility conditions throughout. And we have not even discussed all the programs and delivery models present at the provincial level. This is why critics have suggested that Canada’s public employment service is more “system-oriented” than “client-oriented”¹⁸. It is not an easy landscape to understand or navigate.

But if you can find your way to the programs, are they working?

18 OECD 2015a.

4] EFFECTIVENESS: WHAT WE KNOW

We looked for evidence on the effectiveness of ALMPs from two main sources: the global literature evaluating ALMPs, and the program-specific evaluations that have been performed by the federal government. Together, they present a mixed picture – but also offer some insights into how the ALMP framework can be refined and re-tooled to better serve its clients.

There is a large body of research dedicated to evaluating the effects of ALMP on unemployment. Researchers have approached this in a number of different ways – both from a microeconomic standpoint, examining the effects of specific programs on participants, as well as from a macroeconomic standpoint, to see if there are national-level effects of ALMPs on unemployment. This is an immense evaluative literature, the breadth of which we cannot begin to capture here. Instead we focused on studies that have captured some shared insights from the literature, looking particularly at program-specific outcomes, rather than the overall effects of ALMPs.

In one meta-analysis of 97 studies of ALMP effectiveness, researchers synthesized the literature to identify several shared findings.¹⁹ The authors compare the outcomes of several different kinds of ALMPs, and find that:

- » **Subsidized public sector job** creation programs are not effective. This is not a commonly used ALMP program in Canada. Youth summer jobs program could be regarded as an example, but they are not intended to evolve into permanent or longer-term jobs.
- » **Job search assistance programs** are more effective, especially in the short-term. Under LMDAs, Employment Assistance falls into this category.
- » **Classroom/on-the-job training programs** are not very effective in the short-term, but show more positive effects in the longer-term. In Canada, this would include Skills Development under

LMDAs, and may also apply to CJG activities.

- » **Youth-specific programs** are less effective than general programs without demographic targets.

Several of these findings align with other reviews of ALMP effectiveness, including a study of 137 program evaluations from 19 European states.²⁰ This study also found that program design has an important impact on outcomes. In particular, it found that:

- » **Training programs** are modestly effective.
- » **Private sector incentives**, including wage subsidies and support for self-employment are more likely to work.
- » **“Service and sanctions” programs** also have positive outcomes. These are the programs that assist the unemployed with job seeking, or impose a penalty for failing to look for a job.
- » Like the previous study, **direct public employment schemes and youth-targeted programs** were least likely to be effective.

The two studies converge on some general insights about program design. Training programs are okay, job search assistance is better, direct public-sector job creation does not work, and youth-targeted programs disappoint. But meta-analysis also obscures diverse outcomes within individual program streams, so we need good program-specific evaluation as well. Fortunately, some elements of Canadian ALMP programming have been subject to reasonably sophisticated evaluation.

¹⁹ Card, Kluve, and Weber, 2010.

²⁰ Kluve 2010.

This is particularly true of LMDA programs. The annual EI Monitoring and Assessment Report examines the *incremental* impact of each EBSM stream. This is intended to capture the change in outcomes that is specifically produced from the programs, isolated from contextual factors like broader changes to the labour market. Various indicators are measured, including annual income before and after accessing EBSMs, likelihood of employment after participation, amount of EI benefits received and time spent collecting EI, as well as cost-benefit analysis. From evaluations conducted in 2013-2014 and 2014-15,²¹ we can conclude:

- » **Skills Development and Targeted Wage Subsidy** participants appeared to benefit across most measures. From a cost-benefit standpoint, targeted wage subsidies provide a strong return on investment.
- » **Job Creation Partnerships** also helped in the short-term, but longer term, the positive effects on earnings and incidence of employment diminished.
- » **Self-Employment** programs were not effective, producing lower incomes and rates of employment – but there are measurement challenges in comparing self-employment and regular employment.
- » Using only **Employment Assistance Services** had a modestly positive impact on clients seeking to re-enter the workforce, though participants did experience a loss in earnings.

However, effects can differ somewhat across different categories of clients²².

LMAs also underwent evaluation,²³ but a much less instructive methodology was used, which only surveyed participants and was therefore unable to isolate the effects of participation from other contextual changes. A summative national evaluation found that:

- » Surveyed participants increased their reported employment from 44% at the start of participation to 86%, and though the size of effects varied, all sub-demographics experienced increases in employment;
- » On average, participants increased their earnings;
- » Fewer participants relied on social assistance by the end of the period covered;
- » Importantly, 87% of participants gained a certificate, diploma or credential through the program.

Provincial evaluation of ALMPs varies, involving different methodologies employed with greater or lesser degrees of rigour. The Canada Job Fund agreements also require that provinces and territories report annually on results achieved. Reports released to date do not yet permit serious analysis of outcomes, but an evaluation is expected soon.

An evaluation of incremental impacts of the YES²⁴ revealed:

- » The *Career Focus* stream was effective, with participants earning more over six years than the comparison group (which consisted of youth who accessed Employment Assistance Services under LMDAs, but not YES programming).
- » The *Skills Link* stream produced very mixed results, with participants making less money than the comparison group over the five years

21 Employment and Social Development Canada 2015a; Employment and Social Development Canada 2016.

22 See for example, Employment and Social Development Canada 2016, Chapter III (3).

23 Employment and Social Development Canada 2013.

24 Employment and Social Development Canada 2015b.

after the program start, with higher reliance on social assistance (though outcomes varied depending on educational levels).

- » Data to objectively assess the long-term impact of the summer jobs program was not made available.

The Targeted Initiative for Older Workers underwent a similar evaluation in 2014,²⁵ which found that:

- » Participants were 6% more likely to find employment over non-participants in other employment assistance programs, but
- » Participants did not earn more than the control group.

This is not an especially surprising result, given the target demographic. The general expectation in the literature is that displaced older workers will experience loss in earnings when they have to seek new jobs.²⁶

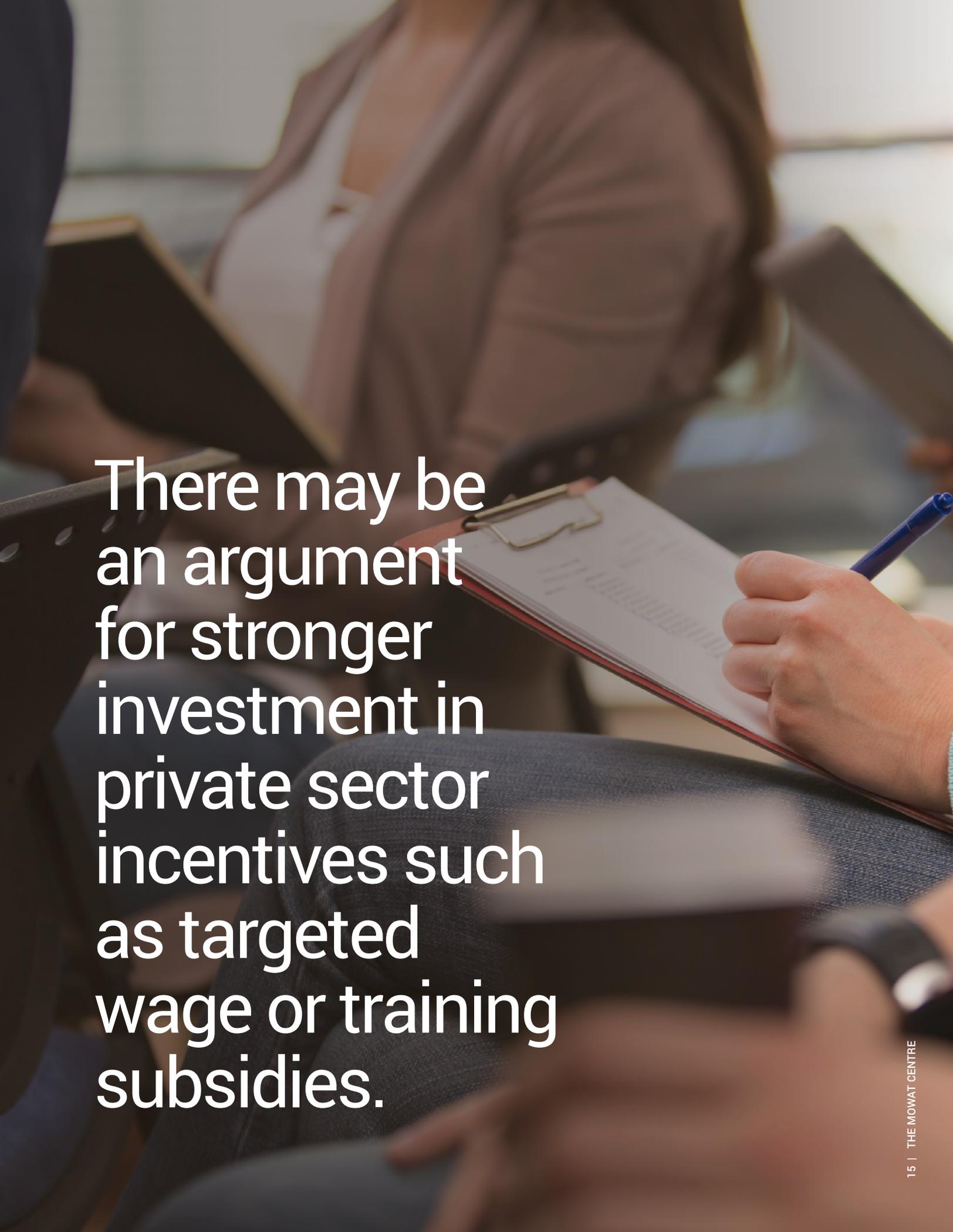
Figure 3 presents a synthesis of some of these findings about the effectiveness of ALMP programming, both internationally and from Canadian program reviews. The table is admittedly crude, and considerable nuance exists in the evaluation that is excluded here. But it offers some directional insights about how to distribute resources in ALMPs. Job search assistance and training appear to deserve the strong investment they receive relative to other ALMP streams. There may be an argument for stronger investment in private sector incentives such as targeted wage or training subsidies. The self-employment stream requires careful re-examination, based on Canada’s own program evaluations. So does the Youth Employment Strategy, given the unimpressive outcomes of youth-targeted ALMPs in other jurisdictions, and the federal government’s commitment to heavily reinvest in YES.

FIGURE 3
ALMP Evaluation Highlights

Type of Intervention	International Experience	Canadian Program Evaluations
Job search assistance	Effective	Effective
Training	Modestly effective	Effective
Private sector wage subsidies	Effective	Effective
Self-Employment support	Effective	Ineffective
Public sector job creation	Ineffective	N/A
Youth-specific Programming	Ineffective	Mixed (Career Focus effective, Skills Link ineffective)

25 Employment and Social Development Canada 2014.

26 *Ibid.*, p.XIV.

A person wearing a brown blazer is sitting at a desk, writing on a clipboard with a blue pen. The clipboard has a gold clip and a piece of paper with some text. The background is blurred, showing other people in a meeting or office setting.

There may be an argument for stronger investment in private sector incentives such as targeted wage or training subsidies.

5] DIAGNOSING PROBLEMS IN THE CURRENT FRAMEWORK

If you were to take one general observation from all of the Canadian program evaluations, it would be that the public employment service does help. Not all services, not all the time, and there is room for improvement – but for the most part, the programs that exist are assisting people to re-enter the labour force. That’s not necessarily where the problem lies.

So what is the problem, or problems? We see five big ones. First, there is built-in inequity between insured and non-insured unemployed Canadians. Second, there is a problem with how ALMP resources are distributed across the country. LMDAs might fund effective programs, but there is serious inequity in who can access those programs, and it’s getting worse. Third, the mosaic of existing federal, provincial, and third-party programming is deeply complex and user-unfriendly. Fourth, stakeholders have almost universally complained that we do not have good enough labour market data. And fifth, we think more balance between supply- and demand-side approaches is required in program design, and this is limited by the structure of federal transfers.

INEQUITABLE ACCESS FOR INDIVIDUALS

Despite changes over the past few years, LMDAs remain the primary vehicle behind ALMPs in Canada. As illustrated in Figure 1, LMDAs represent almost 60% of total federal expenditure through major ALMPs streams, and almost three quarters of the federal transfer to provinces for ALMPs. So access to EI remains a major factor in access to ALMP. Therefore, the shortcomings of EI in meeting the needs of workers in the current labour landscape become shortcomings of the public employment service.

The problems facing EI today have been detailed in the past,²⁷ but it’s worth revisiting some major points.

Most fundamentally, an increasingly smaller segment of the labour force is eligible for EI. The reasons for a declining EI beneficiary to unemployed worker (B/U) ratio have also been widely discussed²⁸. They include higher rates of non-traditional and self-employment, more part-time work, and the emergence of the so-called “gig” economy. The result is that in 2014, around 40% of unemployed people in Canada had not contributed to EI at all – a new high.²⁹ The B/U ratio fell steeply during the 1990s, from 84% of unemployed persons as U/EI beneficiaries in 1990, to just 44% in 1997. After the 2009 recession there was a further decline – briefly dropping below 40% in 2012.³⁰

The B/U ratio is, it’s often noted, an imperfect measure – and this is true for a number of reasons. Most importantly, it counts unemployed workers who are not within the segment of the labour force which EI is intended to serve. The federal government favours other measures, which are focused only on clients who pay into the EI system.³¹ But that objection is more germane to instances where the B/U is used

27 See for example Davis, Hjartarson, and Medow 2011; Gray and Busby 2016.

28 See for example Davis 2012.

29 Statistics Canada 2014.

30 Canada Employment Insurance Commission 2014.

31 Canada Employment Insurance Commission 2014.

to evaluate EI itself – an insurance program intended to serve only those who contribute. In this broader examination of the public employment service, the B/U ratio is still useful. It tells us that the composition of the labour force is changing, and a greater number of the unemployed are not eligible for major ALMP programming – because of its relationship to EI.

The problem is not simply that fewer unemployed workers are EI-eligible. It's also true that who is eligible for EI, and therefore for much of the more substantive and longer-term ALMPs funded through LMDAs, is unevenly and inequitably distributed. Where you live in the country determines how many hours you have to accrue before becoming eligible to collect EI. This is indexed to the rate of unemployment in a region – a crude measure that overlooks any number of other factors which could contribute to one's challenge in finding work.

Moreover, because EI coverage varies across the country, meaningful regional differences are actually exacerbated. Because of structural changes to the Ontario labour force, Ontario is least well served by EI. Most unemployed Ontarians – approximately 70% - are not eligible for EI. Some have not worked in insurable employment. Of those who have paid EI premiums in the 12 months leading up to their unemployment, only 55% of Ontarians are eligible – compared with 80% in the Atlantic provinces, for example³². Urban workers fare poorly because of the concentration of gig and part-time work in cities. Immigrants and young people are also distinctly underserved in the current system, which penalizes new entrants as well as re-entrants to the labour market.³³

We think it should be emphasized that labour policy does not work for the growing cadre of freelancers, gig, and contract workers that make up an important component of the labour force in Canada's big cities. Many will not pay into EI at all. Others will contribute – via part-time work to augment freelance income, for example – but will not accrue enough hours to ever benefit. It's doubly problematic that workers outside of traditional workplaces are limited in their access to the public employment service. It's prima facie unfair, but it's also the case that those workers cannot benefit from the at-work training, skills upgrades, and career planning services that some employers provide. Independent workers already have less support to improve their employability than workers in traditional employer-employee relationships. Under LMDAs, they are penalized again through limited access to ALMPs.

There is a debate about the nature and objectives of the EI system. Some have pointed out that it is not intended to service a wider population of unemployed, outside of those who contribute to it.³⁴ It should also be acknowledged that the 2016 federal budget has signalled a willingness to address some of the commonly-identified shortcomings in the EI framework. It promises to eliminate the higher hours accumulated requirements for new entrants and re-entrants for example. This is a promising development.

But there's a broader point to be made, and this discussion should not be overcome by the question of how to manage EI itself. Put simply, no persuasive rationale has been provided for why a substantial proportion of ALMP programming should be serviced through EI. It is difficult to make a principled case for why access to the public employment service should depend

32 Employment and Social Development Canada 2015a.
33 Galley 2015.

34 See for example Gray and Busby 2016.

FIGURE 4

Provincial Share of LMDA Allocations and Population³⁶

Province/Territory	2015/16 LMDA Allocation (thousand \$)	Share of total allocation (%)	2015 Share of Population (%)	Share of Canada's Unemployed (based on 2015 average)
Newfoundland and Labrador	126,780	6.5	1.5	2.6
Prince Edward Island	25,292	1.3	0.4	0.6
Nova Scotia	78,592	4.0	2.6	3.2
New Brunswick	89,819	4.6	2.1	2.9
Quebec	577,625	29.6	23.0	25.3
Ontario	574,760	29.5	38.5	37.8
Manitoba	43,083	2.2	3.6	2.8
Saskatchewan	35,229	1.8	3.2	2.3
Alberta	109,404	5.6	11.7	11.1
British Columbia	279,959	14.4	13.1	11.4
Northwest Territories	3,082	0.2	0.1	0.1
Yukon	3,560	0.2	0.1	0.1
Nunavut	2,811	0.1	0.1	0.2
CANADA TOTAL	1,950,000			

on whether you have paid into EI. Under the *status quo*, people who are disengaged from or have a precarious connection to the labour market are less likely to receive support from the public employment service. The opposite should be true.

INEQUITABLE ALLOCATION FOR PROVINCES

To make matters worse, LMDA allocations are not equitably or rationally distributed between provinces. Above, we described how LMDA allocations were established in a 1996 formula that was intended, in part, to offset the effects of policy change to regions of the country with high unemployment *at that time*. Though there are indications that changes may be in the works, the formula has not been substantively revised since then, despite huge changes in the composition of the labour force. The formula is too complex; originally calculated using 17 labour market

variables³⁵ that applied to \$1.15B of LMDA funds, combined with \$800M counted separately as a reinvestment of savings from the 1996 EI reforms, and distributed so that the effect of those reforms was equalized across provinces. The only thing that is clear is that twenty years later, the resulting allocation of LMDA funds is unfair. Ontario and the Prairie provinces are significantly disadvantaged, and there is no principled basis for this discrimination. Figure 4 illustrates the disparity in provincial allocations.³⁶

35 The variables are: average EI claim load; long-term unemployment (more than 14 weeks); Initial and Renewal claims for unemployment benefits; unemployed multiplied by the unemployment rate; education less than nine years; the employment rate; work sharing participants; work sharing expenditures; projected employment for manufacturing, trade, construction; projected GDP for manufacturing, trade, construction; previous year GDP for manufacturing, trade, construction.

36 Employment and Social Development Canada 2016; Statistics Canada 2016.

Ontario receives 29.5% of LMDA allocations, considerably less than its 38.5% share of the Canadian population, and 37.8% share of the unemployed population (based on 2015 averages – and higher in preceding years). Manitoba, Saskatchewan, and Alberta are also short-changed.

Another way to illustrate the difference is to calculate the approximate federal LMDA allocation per unemployed individual in each province (Figure 5).

This is, of course, just a notional allocation, because only a subset of the unemployed would be eligible for LMDA funding. But it illustrates the way ALMP resources are distributed through the LMDAs, and the difference between provinces is stunning. On average, \$1848 in LMDA funding exists for each unemployed person in a given province. But there is \$3654 in LMDA funding for every unemployed person in Newfoundland and Labrador. Alberta, having experienced major labour shocks in 2015 and 2016, receives only \$749 in LMDA funding per unemployed individual. Ontario has been consistently underserved, and now receives just \$1142 per unemployed person.

There is no public rationale for the LMDA allocation formula. Ontario is not alone in receiving less than its proportion of the population, and of the unemployed. But it's especially difficult to locate another explanation for why the province should receive a smaller allotment. Ontario struggles with long-term unemployment, for example, with the second longest average tenure of unemployment after Quebec.³⁷ This dispels any suggestion that the nature of unemployment in the province means that it is less important for Ontario workers to receive help from the public employment service.

FIGURE 5

Approximate LMDA Allocation per Unemployed Person by Province³⁸

Province/Territory	Approximate Allocation per Unemployed Person (2015)
Newfoundland and Labrador	\$3654
Prince Edward Island	\$2976
Yukon	\$2738
New Brunswick	\$2339
Nova Scotia	\$1871
British Columbia	\$1849
PROVINCIAL AVERAGE	\$1848
Quebec	\$1713
Northwest Territories	\$1541
Nunavut	\$1171
Saskatchewan	\$1159
Ontario	\$1143
Manitoba	\$1137
Alberta	\$739

The allocation formula is largely frozen in time (Figure 6 shows how little it has changed since 1996). It is based on neither need nor proportionality. The result is deep inequity across provinces.

37 Employment and Social Development Canada 2016.

FIGURE 6

Provincial/Territorial Share of LMDA Allocations, 1996/97 and 2015/16³⁸

Province/ Territory	1996/97 Share of LMDAs (%)	2015/16 Share of LMDAs (%)
NL	5.0	6.5
PEI	1.1	1.3
NS	4.1	4.0
NB	4.2	4.6
QC	29.6	29.6
ON	30.7	29.5
MB	3.3	2.2
SK	2.3	1.8
AB	6.7	5.6
BC	12.6	14.4
NT	0.2	0.2
YK	0.2	0.2
NT	N/A	0.1

A COMPLEX FRAMEWORK

Canada is a federation, and the delivery of public services is often more complex as a result. ALMPs are no exception. This, of itself, is not a problem – just a function of the constitutional architecture, and close intergovernmental collaboration in a policy field. Nonetheless, speaking of ALMPs in particular, the fragmented system of transfers creates challenges for clients, and obscures transparency and lines of accountability. It is not inevitable, but more a product of the partial, even ad hoc nature by which ALMPs have been extended out from EI clients, after the introduction of LMDAs in the mid-1990s.

A recent OECD study of labour policy in Canada captures the problem well. It argues that the “EI/non-EI segmentation of programmes from the accounting and monitoring point of view

illustrates how the Canadian institutional setting might be seen as system-oriented rather than client-oriented”.³⁹ The study highlights the challenge to displaced workers of navigating an array of different federal, provincial, and third-party service providers to access the various services and benefits available to them during periods of unemployment. A recently unemployed worker may be required to visit the federal Service Canada to access EI, a provincial government service centre to receive social assistance, and multiple private employment services providers for job search help, or to arrange training.⁴⁰ In the midst of major and traumatic life changes, these are logistical challenges unemployed workers do not need.

The problem is exacerbated by the fact that provinces have adopted different delivery models, from the more centralized, with an emphasis on provincial service centres, to the more diffuse, with an emphasis on third-party community organizations. This makes it difficult to communicate simply to unemployed Canadians the steps they should take to access the public employment service.

It’s a problem for clients when the ALMP opportunities that exist are difficult to identify and locate. It’s also a problem for prospective employers, who may wish to participate in Canada Job Grants or similar activities. Recent research from the UK suggests that employer engagement is critical to the success of ALMPs, but that employers are often not sufficiently engaged – that in many cases, they see the benefits of participation but have low levels of awareness about existing programs.⁴¹ This obviously detracts from the effectiveness of programs that require employer participation and leadership.

³⁹ OECD 2015a, p.65, emphasis in the original.

⁴⁰ *Ibid.*

⁴¹ Ingold and Stewart 2015.

³⁸ Mowat calculation.

Ensuring the overall accountability of the ALMP system is also challenging, because of the multiple transfer and program streams that exist. Provinces are required to report on programming activity, but the focus, extensiveness, and rigour of program evaluation varies. Accountability is obscured in an unclear and complicated intergovernmental relationship.

INADEQUATE DATA

For some time now, policy-makers and stakeholders have recognized problems with the available labour market information in Canada. It's true that some progress has been made in recent years, and this should be acknowledged. In 2008, the Forum of Labour Market Ministers convened an Advisory Panel on Labour Market Information. The panel issued 69 recommendations, and many have been implemented. Despite this, concern persists about our ability to accurately analyze and predict labour market conditions.

The classic example of this is the broad disagreement over the size of a labour shortage in Canada, if indeed it exists.⁴² Labour movement stakeholders have complained about the lack of granular data on job vacancies – where (exactly) they are, what opportunities (precisely) are available – as well as about education and training requirements, work conditions, benefits, and so on. Employers have complained about their struggle to identify workers with the appropriate skillsets. And governments are required to make labour market policy without key data on – for example – the degree and kind of training that is currently provided by employers, or anticipated skills shortages in given fields. All stakeholders also note that the available information is difficult to locate and held on different sites, rather than integrated and harmonized.

42 Drummond 2014.

Committing to better, more accessible labour market information does not solve the problems facing ALMPs. But it is nearly impossible to fix ALMPs without it.

A PROGRAMMING IMBALANCE

A fifth problem, which flows from the fragmented nature of federal-provincial transfers for ALMPs, relates to program design. There is a debate among scholars and practitioners about how to balance the traditional “supply-side” approach to ALMPs, which focuses on training and otherwise assisting unemployed workers to improve the supply of employable labour, against a more “demand-side” approach – which places employers at the centre of the model, and reflects the specific needs of a labour market in program design.

Some strong criticisms have decried the “supply-side fundamentalism”⁴³ of traditional ALMPs – which, according to this argument, locates the problem of unemployment with unemployed people themselves, and sees the role of government as simply propelling those individuals back into the workforce. Some argue that if governments are funding skills training with the intention of getting displaced workers back into jobs, it should be employers who determine what skills are being taught.⁴⁴ Others take a more measured view of what is appropriate in ALMP design.⁴⁵ But there's wide agreement that the problem of “employability” has both supply and demand dimensions. It's about both the labour market and the labourer.

Programs supported through LMDAs are primarily supply-side oriented. This is true of skills development, employment assistance, and self-employment support – collectively, about 85%

43 Peck and Theodore 2000.

44 See for example Deloitte and Social Capital Partners 2014.

45 See for example Gore 2004.

of EBSMs provided through LMDAs. The federal government evidently recognized this imbalance, and reflected it in the design of the Canada Job Grant, which sits firmly on the demand side of the spectrum. So while LMDA programs are mostly directed at making unemployed individuals more employable, most CJF programming uses an employer-centric program design and seeks to create opportunities from the labour market out.

But hard questions have also been asked about the demand-centrism of the Canada Job Grant, which cost-shares training selected by employers.⁴⁶ There are already employers who provide training, and for whom government funding through the CJG would simply be a windfall, rather than an incentive. And training is expensive, raising questions about whether the CJG – especially with its requirement of an employer contribution and the human resources necessary to deliver training – would actually be enough to move employers who don't currently train to start. Moreover, there is a danger that unemployed workers are stripped of the ability to make decisions about their own paths back to employment. Under the CJG scheme, employers determine what training gets funded. Workers can participate in the training their current or prospective employers have selected for them, or not participate in the program at all.

And given that employers select program participants, which can include current employees, it is unlikely that training will reach the underserved like other programming under the public employment service. This is an important point. When the shift was made from LMAs (designed specifically to serve unemployed Canadians with a weaker connection to the labour market) to employer-driven CJGs, vulnerable

workers paid the steepest price.⁴⁷ So there are problems inherent in CJG-style demand-centrism, too – problems of policy inefficiency, of equity, and of losing sight of the dignity and individuality of unemployed workers.

There is no simple answer as to how to strike a balance between supply and demand in ALMPs. While there is some enthusiasm for a shift toward the demand side, we are not aware of a strong body of evidence that exists yet to permit comparing the relative effectiveness of the two streams. And it will be difficult to contrive such evidence, given program heterogeneity within each stream. But the current split transfer system – with LMDAs focussed largely on supply, and CJFs on demand – does not permit the program design flexibility that would allow provinces to experiment with balance. Incorporating demand into the public employment service is important. But it is odd – and possibly perverse – that non-EI eligible workers dwell within a strongly employer-centred program model, while EI clients (who by definition, have had closer connections to employers and industries) access supply-side programs. Again, the basic, dubious distinction between EI clients and the non-insured has downstream effects on ALMP design and delivery.

46 See for example Mendelson and Zon 2014.

47 Wood and Hayes 2016.

6] BUILDING A BETTER ALMP FRAMEWORK: PRINCIPLES FOR RENEWAL

Evidence suggests that ALMPs work – to varying degrees – in Canada. But they can work better, and this begins with a more rational intergovernmental relationship. Below we set out the three critical principles that should guide renewal, and the individual steps that should be taken to achieve those principles.

A MORE EQUITABLE FRAMEWORK

Building a more equitable framework means addressing inequities between unemployed workers, and between provinces.

The first step is quite straightforward: the federal government must address the enduring provincial disparities in LMDA allocation, by substantively revising the formula first conceived to respond to the policy concerns of 1996. It makes no sense that an unemployed worker's access to quality job training programs should depend on what province they happen to end up unemployed in – especially when the federal government is the fiscal guarantor for programming.

Money for ALMPs should be allocated as near as possible on a principle of proportionality – at least to population, if not to provinces' share of unemployed persons. There are conceivable arguments for why the allocation formula should not only reflect strict proportionality. For example, in regions where long-term unemployment is endemic, as the result of structural change and the collapse of certain industries, unemployed workers may need more assistance to blaze new career paths. But if federal allocations to the provinces depart from proportionality, there must be an evidence-based public rationale for why. Political expediency is not a good enough answer.

A more equitable framework also means equity between the insured and non-insured unemployed. Currently, there is simply more federal ALMP support available to EI beneficiaries. This is intrinsically inequitable, and also reproduces all the other inequities built into EI, since some groups and regions are disproportionately non-insured.

We would take it a step further, and ask: why, in ALMPs, does a distinction between the insured and non-insured even exist? By definition, EI is an insurance program: it temporarily replaces income during unemployment, and its contributors are its beneficiaries. But ALMPs are intended to deliver a fundamentally different public good: a more employable workforce, with the ultimate objective of lower unemployment. The same policy logic does not simply transfer over from EI to ALMPs.

Restructuring must therefore result in improved service to non-EI eligible beneficiaries. To the greatest extent possible, the distinction between insured and non-insured should be eliminated in ALMP funding and programming.

A MORE RESPONSIVE FRAMEWORK

Responsive ALMPs reflect a policy landscape that is in touch with today's labour market and the needs of both workers and employers. Already, in improving services to non-EI eligible beneficiaries, policy-makers will have created an ALMP framework that is more responsive to the new Canadian economy.

It is also important that ALMPs remain responsive to local and regional contexts. There is wide consensus in Canada on the desirability of provincially-directed ALMPs, and the scholarly literature also provides support for locally-driven training and job search policies. Researchers have noted that labour market changes – “closures, openings, expansions, hirings, redundancies, labour force entry and exit, and job search”⁴⁸ – are overwhelmingly local events. Sensitive ALMP programming must be alive to regional differences, and as a result, provinces have long been regarded as the ideal front-line program design agents.

However, the federal government unquestionably has a critical role to play. Evidence favours cooperative intergovernmental relations over complete devolution.⁴⁹ Indeed, it should be noted that “local” is not synonymous with provincial or territorial – which points to the need for engagement across all levels of government, as well as between provincial governments and local service providers. Moreover, the research literature reminds us that geography imposes limitations on employability. Labour demand and supply cannot always be made to line up perfectly in every locale.⁵⁰ It is therefore critical that worker mobility remains front-of-mind. Again, this requires

By definition, EI is an insurance program: it temporarily replaces income during unemployment, and its contributors are its beneficiaries. But ALMPs are intended to deliver a fundamentally different public good.

cooperation and an ongoing federal role. ALMPs must also be responsive to the labour market. This means setting a place for employers at all stages of policy-making. This will help ensure that the training people receive aligns to the labour market demands that exist. At the same time, ALMPs can be responsive to the aspirations of unemployed workers. A responsive framework should be based on a holistic concept of ‘employability’ – that takes into account the individual characteristics of job-seekers (skills, training, credentials) as well as characteristics of the labour market (opportunities and obstacles). In other words, policy should seek balance between the supply and demand sides of the labour market. Greater balance requires greater flexibility and a more rational institutional structure.

48 Campbell 2000, p.657.

49 Wood and Klassen 2011, p.21.

50 Gore 2005, p.351.

A MORE OPEN FRAMEWORK

We have discussed how the tangled multiplicity of transfers, programs, and streams creates access and accountability problems. A more open framework means simplifying the transfer system, promoting public awareness about the service offering, and making accessibility a priority. ALMP programming in Canada must be more “client-oriented”, less “system-oriented”.⁵¹ Openness also means having good data widely available. Researchers and key stakeholders have repeatedly raised concerns about the quality of available labour market data in Canada, and the impact this has on ALMPs.⁵² It becomes difficult to target ALMP programming when we cannot comfortably identify which jobs are available where, what training is offered currently by employers, and so on. Stakeholders reminded us that we need granular data – not just that Ontario needs engineers (for example), but what kind of engineers and where. Simply put: we cannot align supply and demand without knowing what the state of supply and state of demand are.

In short, an open ALMP framework requires an open, legible labour market. This requires good data.

51 OECD 2015a.

52 Drummond 2014, Klassen and Wood 2011.

7] RECOMMENDATIONS

In order to achieve these principles, we recommend the following concrete actions be taken:

1. The federal government should negotiate, with each province, a **single federal-provincial transfer agreement** to replace the LMDAs, CJFs, LMAPDS, and TIOW. A single transfer makes for a simpler, more comprehensible system, and provides for greater flexibility in program design. The current, fragmented transfer system serves no policy purpose. If the federal government is serious about rethinking the transfer system from the bottom up, moving to a unitary transfer is an obvious place to start. The transfer need not be an open block transfer, but can stipulate specific program streams, and must include strong, explicit public reporting requirements – including specifying the kind of program evaluation that is conducted and reported on.
2. **The allocation principle for the new transfer should be on a per client (i.e. unemployed person) per province basis.** This would ensure that funding is distributed in a responsive and equitable way, according to need. It would also be inherently dynamic, to prevent the problem facing LMDAs currently of an anachronistic funding formula that is deeply entrenched and resistant to change. There is some risk that moving to a per client formula would introduce unpredictability in funding from year to year. Data lags also may require that the transfer be indexed to a previous year's unemployment levels, but this does not depart from other federal-provincial transfers like Equalization. And it is yet another argument for stronger, faster labour market data. The federal government may incur some temporary costs to limit the impact of the change to provinces which currently receive LMDA funding above their share of the unemployed population.
3. **The single transfer should be funded from general revenue, as well as EI premiums.** This would allow for the outright elimination of the distinction between insured and uninsured unemployed workers, which we have argued serves no useful purpose. EI premiums could be reduced as a consequence.
4. **The single transfer should include funding for youth-focussed public employment service programs.** It just does not make sense that the federal government retains a direct programming interest in this particular stream of ALMP, when most of the rest was long ago devolved to the provinces (along with the capacity to deliver). The federal government does owe a unique fiduciary responsibility to Indigenous people, and should therefore continue to provide public employment services to Indigenous communities – unless those communities express an interest or willingness to access the capacity of provinces to host those services.
5. **The Forum of Labour Market Ministers (FLMM) should be strengthened through institution-building.** The FLMM is positioned to provide ongoing, detailed input into the formulation of active labour market policy. It could also be a vehicle for ongoing, substantive consultation with education, business and labour (including non-traditional labour) stakeholders, to ensure ALMPs are responsive to the labour market. And it provides the federal government an instrument with which to play its essential continuing role in ALMPs – for example, in championing worker mobility and the development of better labour market data. Donna Wood and Thomas Klassen have

sketched out some key basic reforms to the current FLMM,⁵³ including the creation of a more institutionalized secretariat, regular meetings, and the requirement to produce annual reports to enhance the accountability and transparency of ALMP transfers.

6. The federal government must reinvest in labour market information, to further address the problems that have been so widely commented upon. The announced creation of the Labour Market Information Council is a positive first step. A renewed FLMM will be responsible for overseeing the Council's work, and ensuring that the right data is collected at the right time. New accountability and transparency requirements on the FLMM will provide stakeholders and the general public with the opportunity to track progress on the development of labour market information, and give input where necessary. At a technical level, Statistics Canada remains best suited to actually collecting data. As Don Drummond has recommended,⁵⁴ the mandate of Statistics Canada to collect labour market information should be broadened, with the resources to match.

53 Wood and Klassen 2011, p.20.

54 Drummond 2014, p.16.

8] CONCLUSION

With technological and structural change transforming the labour market – and more change to come – it is essential that Canadian governments be equipped to help unemployed workers find their way back. But the Canadian public employment service has stagnated, and the investment has declined precipitously in relative terms – from 0.45% of GDP in 1996 to 0.23% in 2013. Had LMDAs financing kept pace with inflation, for example, the fund would be more than \$500M larger. We also have a system built to serve EI-eligible workers first, which makes little sense and is increasingly disconnected from the new labour market reality.

It is encouraging that the federal government has signalled change, and is making new investments in LMDAs, Canada Job Grants, and the Youth Employment Strategy. But now is the time to reimagine the ALMP framework from the ground up, to make it work better for unemployed Canadians. We've laid out some critical steps to take on the road to a more equitable, responsive, and open active labour market policy in Canada.

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