

Hollowing out the middle

Recasting federal workforce development programs under the Harper government

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ALL DEVELOPED COUNTRIES invest in workforce development. These are measures designed to attract and retain talent, solve skills deficiencies, improve the quality of the workplace, and enhance the competitiveness of local firms. They are also meant to incorporate the disadvantaged, integrate immigrants, and help the unemployed find work. Government intervention is necessary to improve market efficiency, promote equal opportunity, and ensure social and geographic mobility among citizens.

As a domain that straddles both social and economic policy, workforce development is particularly complicated in Canada. This is because our Constitution is ambiguous on whether this is an area of federal or provincial responsibility. Most programs, like postsecondary education and apprenticeship, are clearly under provincial control, but there is less certainty around measures to help the unemployed. Before the Second World War, it was accepted that these kinds of programs were under provincial responsibility. Often the federal government helped financially. After the devastation of the Depression in the 1930s, the federal government and all the provinces agreed, in 1940, to a constitutional amendment transferring significant responsibilities to Ottawa through a national unemployment insurance program.

By the 1990s, Ottawa dominated the policy area through a network of about 500 Canada Employment Centres across the country, delivering both income sup-

port and employment services. In 1996, the federal Liberal government offered to transfer responsibility for employment services back to the provinces.² Ottawa kept responsibility for income support. It did this by concluding a series of agreements paid for out of money contributed by employers and workers to the employment insurance (EI) fund. Ottawa's intention was to show "flexible federalism" following the Quebec referendum on sovereignty.

When the Harper Conservatives came to power in 2006, the job was half done, with devolved labour market development agreements or LMDAs signed in eight jurisdictions. There were co-managed agreements in the remaining five.³ The new government aspired to have "the best educated, most skilled, and most flexible workforce in the world." To achieve this goal, not only did the government need to figure out what to do, but the equally important question of who should do it also needed to be worked out.

This chapter looks at the Harper government's record in workforce development since 2006. Unlike other assessments, it does not look at changes to the number of jobs created, the quality of those jobs, the income they provided, the unemployment rate, or the participation rate. Instead, this chapter gathers evidence in order to assess the impact of what we might call the *Conservative Jobs Agenda* on political institutions, discourse, and democracy in workforce development matters. In late 2014, the *Jobs Agenda* was touted by Minister Jason Kenney as having "fixed the paradox of too many people without jobs and too many jobs without people."⁴

The chapter concludes that, beyond the successful completion of devolution to the provinces and territories, the *Conservative Jobs Agenda* has been just a wishful boast. By eliminating pan-Canadian institutions that provided information to the public, democracy has been diminished. The government has made dramatic reductions to a variety of programs. Discourse and debate have been confined to the privileged few, with limited opportunities for engagement between governments, business, labour, Aboriginal organizations, training institutions, and unemployed Canadians. These results are particularly disturbing at a time of weak employment, declining participation rates, and ageing demographics when — more than ever — all governments and stakeholders from across Canada need to work together.

The Liberal legacy

The period between 1995 and 1997 was a time of transformation in workforce development programming in Canada. Under a renamed *Employment Insurance (EI) Act*, the newly elected federal Liberal government tightened access to EI income support. It also reduced funding for employment support services for disadvan-

tagged groups (women, persons with disabilities, Aboriginal people and visible minorities) by about half.⁵ In addition, the government offered to devolve EI-funded employment services to interested provinces and territories. One by one, jurisdictions accepted the transfer of federal staff, resources, and assets. Alberta, New Brunswick, Quebec, Manitoba, Saskatchewan, the Northwest Territories and Nunavut were the early movers, with devolved LMDAs signed by 2000. After protracted negotiations and delays, Ontario finally came on board in 2005.

Initially, British Columbia, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and Yukon signed co-managed LMDAs where Ottawa continued to deliver the programming directly. When later these five jurisdictions wanted to take on devolved agreements, Ottawa balked. By the early 2000s, as the federal budget got balanced and the threat of Quebec secession eased, the Liberal government had come to regret its lost capacity to intervene directly in the labour market. By this time it had also become evident that those most in need of employment services (immigrants, persons with disabilities, older workers, social assistance recipients, youth, and Aboriginal people) were not being adequately served due to EI funding restrictions.

In response, the Liberal government fashioned supplementary federal-provincial agreements for these under-represented groups. However, the design it selected would have sanctioned the re-insertion of federal staff into the direct delivery and management of labour market services. Provinces like Alberta and Quebec with devolved LMDAs saw this federal action as a threat to the coherent, provincially managed system they had built post-devolution. Although they wanted the additional federal funding, they vehemently objected to the federal Liberal plan.

As this played out on the federal-provincial front, the Liberal government also took action to recapture leadership through a variety of federal-only initiatives. It established specialized research institutes and programs, including the Canadian Millennium Scholarship Foundation (1998), Canada Research Chairs (2000), the Canadian Council on Learning (2004), the Foreign Credential Recognition Program (2004), and the Workplace Skills Initiative (2004). National sector councils grew to more than 30 bodies. An updated youth employment strategy was introduced. Existing Aboriginal, disability and literacy programs were affirmed and expanded. Many provinces contested these unilateral federal actions, and intergovernmental discord increased.

Conservatives complete shift of power and responsibility to the provinces

The 2006 Conservative campaign platform articulated a new approach to intergovernmental relations called “open federalism.” This approach captured the no-

tion of strong provinces, restoring the constitutional balance, clarifying federal-provincial roles and responsibilities, working co-operatively with the provinces, limiting the federal spending power, and addressing the fiscal imbalance. Upon assuming power, one of new government's first actions to implement this vision was in workforce development. The 2007 federal budget outlined "a new labour market training architecture that...clarified roles and responsibilities...and recognized that provinces were best placed to deliver this programming."⁶

The federal government offered co-managed jurisdictions devolved LMDAs. In addition, the Harper government offered an additional \$500 million annually so that each jurisdiction could enhance the services on offer to unemployed social assistance recipients, persons with disabilities, Aboriginal people, and immigrants (as well as low income earners) through labour market agreements (LMAs). These highly flexible agreements (to March 2014) allowed provinces to decide who to serve, the interventions they would make, and how to manage and organize the services.

This new funding for non-EI clients came from the Consolidated Revenue Fund, and was a partial replacement for the programming for women, persons with disabilities, social assistance recipients and visible minorities that the Liberal government had cut in the 1990s. LMAs were also introduced for a very practical reason. LMDA allocations had not changed since 1996. As it was impossible to increase the LMDA funding that the Liberals had set in 1996 without opening up the eight devolved LMDAs, additional LMA funding was needed to move the five remaining jurisdictions toward devolution. By 2008–09, provincial governments were in control of over three-quarters of workforce development programming in about 1,000 locations. The federal government transferred over 2,600 of their staff to the provinces.

So taken were the federal Conservatives with decentralization that Budget 2007 even offered to enter into negotiations with provinces on devolving federal youth, older worker, and disability programming. Aboriginal employment programming was the only responsibility they were not prepared to re-assign.

This basket of bilateral federal-provincial labour market agreements, including a renewed targeted initiative for older workers and labour market agreements for persons with disabilities, was rolled out in the winter of 2008 with great political fanfare and signing ceremonies for ministers in each province and territory. All told, by that year, there were 49 bilateral labour market agreements in place. This represented an annual federal transfer of about \$2.7 billion to the provinces and territories out of total federal spending of about \$3.5 billion on active labour market programming.

In response to the economic downturn and the increase in the unemployment rate that began in 2008, the 2009 federal budget committed additional funding over two years to some of these agreements. This complex policy domain had be-

come even more complex, but provinces and territories, pre-occupied with putting the new programming into place, were pleased with the flexibility the agreements afforded. Ottawa was pleased that federal-provincial harmony had been restored. The federal government was also happy to be out of most direct program delivery, as that meant fewer federal civil servants on the payroll.

Hollowing out Ottawa

The Harper government acknowledged the provinces were now mostly in charge. As a result, the government did not support the institutions that the Liberals had put in place to provide national leadership on labour market issues. In 2007, the Canadian Labour and Business Centre, established in 1984 as a centre for business-labour dialogue and consensus building, was closed. Next up was the Canadian Millennium Scholarship Foundation and its research arm in 2008. The Canadian Policy Research Networks was disbanded in 2009, and the Canadian Council on Learning was closed in 2012.

For a while, the 30-plus national sector councils seemed to be safe. Indeed, early in their mandate, the Conservatives set up new sector councils in agriculture and forestry. However, with a small-government mindset and an aversion to funding non-government organizations, over time, Conservative politicians could not see the relevance of the councils. All national sector councils lost their federal funding in 2013. A small amount of money is still available under the much diminished “sectoral initiatives” program.

The Workplace Skills Initiative was meant to increase awareness of the importance of skills development in the workplace among business and labour groups. The initiative was also intended to bring small and medium-sized enterprises together through human capital development projects. It had a quicker death. By 2010, all funds had disappeared.

A 40-year national role in pan-Canadian literacy matters has effectively disappeared. Funding at a local level ended in 2006. By 2015, also gone was funding for national and provincial/territorial literacy coalitions. This resulted in the closure of the Canadian Literacy and Learning Network, and Copian, a national clearinghouse. Remaining literacy funds in the federal budget are routinely underspent.

For most of the past nine years, the Conservative government no longer even saw itself as playing a co-ordinating role through the Forum of Labour Market Ministers (FLMM), set up in 1983 as a multilateral forum to promote inter-jurisdictional co-operation and establish common goals on labour market issues. All intergovernmental agreements described earlier in this paper were announced bi-

laterally through press releases in each jurisdiction; there was no collective meeting for ministers to discuss approaches or show pan-Canadian solidarity.

Diane Finley was the minister of human resources and social development for a short period in 2006–07 and then re-appointed in October 2008 until July 2013. During her tenure, Finley was reluctant to meet collectively with her provincial counterparts and avoided intergovernmental meetings, whether in labour market or social services matters. Over her entire six years in charge, she agreed to a single FLMM multilateral encounter – in 2010. This was despite growing concerns over unemployment (especially among youth), the impact of EI changes on provinces, a Temporary Foreign Worker Program out of control, barriers to labour mobility, the lack of useful labour market information, and rising skills and labour shortages in some parts of the country. Jason Kenney, minister from 2013–2015, was more engaged.

Labour market information (LMI) deficiencies were a regular topic of discussion between informed stakeholders and the media during 2013 and 2014. For example, a federal jobs report released with the 2014 budget contradicted Statistics Canada. In addition, there were problems with the accuracy of monthly labour market data. In 2013, TD Economics noted that “when it comes to labour market information we are currently operating in a data vacuum and flying in the fog without instruments.”⁷

The only pan-Canadian report on workforce development is the annual Employment Insurance Monitoring and Assessment Report (MAR). There is little comparative information in it, either between provinces or over time, and little analysis. The Conservative government has made some investments in labour market surveys and a national LMI portal, but has taken little action on key recommendations from a 2009 advisory panel report on labour market information chaired by Don Drummond. In July 2015, the FLMM finally announced the creation of a new Labour Market Information (LMI) Council. However, no details have been provided on its role or composition.

In 2015, there are no pan-Canadian institutions dedicated to research on workforce development, skills, and learning issues. There are no mechanisms to bring the views of business, labour and community organizations to government in a structured and ongoing way. Instead, provinces are creating their own institutions focusing on their individual needs. The B.C. Centre for Employment Excellence, the *l'Observatoire compétences-emplois* in Quebec, and the Ontario Centre for Workforce Innovation are examples of provincial institutions. Not only is there no pan-Canadian perspective, the smaller provinces are left behind. With limited in-house research capacity among governments, feeble intergovernmental connections, and no dedicated research institutes, Ottawa has effectively eliminated informed pan-Canadian discourse on workforce development matters.

Making EI smaller and less responsive

Most Canadians see employment insurance (EI) as the foundation for employment programming in our country. Certainly, this part of our social safety net has been getting smaller under both the Liberals and Conservatives. In 1990, 83% of the unemployed received EI benefits; after the Liberal reforms, by 1998, it had dropped to 42%. As important, EI payments to individual claimants became smaller as the wage replacement rate was decreased from 60% in the 1990s to 55% at present. The Harper government has continued the EI dismantling trajectory started by previous Liberal governments. When the Conservatives came to power in 2006, 48.5% of the unemployed were in receipt of EI benefits; by 2013, the proportion was a full 10% lower at 38.4%.⁸

The most substantial changes to EI undertaken by the Harper government occurred in 2013. Program recipients were required to take any job deemed “suitable” and to use “reasonable and customary efforts” to obtain employment, even if the job was unrelated to their career, paid less money, and involved a long commute. All of these changes were introduced without any formal input or consultation with relevant stakeholders, including provincial governments, now responsible for helping EI recipients get these jobs. Included as part of an omnibus budget bill that provided little time for discussion, the changes have increased the pressure on workers to accept low-wage and low-skilled jobs. More importantly, the program has shifted from one where beneficiaries have rights to now being viewed as people out to cheat the system.⁹

The EI appeal process was also changed unilaterally, with an explicit objective of reducing the number of appeals by 25%. Not even business and labour, whose members fund 100% of the program, were consulted. Effective April 1, 2013, all appeals for EI, the Canada Pension Plan, and Old Age Security were consolidated under a newly formed Social Security Tribunal, with decision-making centralized in Ottawa. Previously, three-person boards of referees representing workers, employers and government heard EI appeals across the country, with members responsive to local labour market conditions. This is all gone, including a right to a hearing.¹⁰ It took until November 2014 for the new tribunal to become fully operational; by then, it was dealing with a backlog of 11,000 cases.

Also restricting access to EI are cuts to the number of civil servants responsible for program management. Employment and Social Development Canada, the federal department responsible for EI, had the highest number of absolute staff cuts and the second highest proportional staff cuts of all federal departments. The department lost 5,716 full-time equivalents (FTEs) between March 2012 and April 2016, or 24% of staff.¹¹ These cuts have led to significant delays in EI processing, and 14.1

million “blocked calls” to the EI helpline in 2011–12. In December 2014, the Conservative government finally responded to the problems by announcing the hiring of 400 additional civil servants.

A 2014 report by the Parliamentary Budget Office (PBO) concluded that if we count the 2013 EI premium rate decisions and breaks provided to small business, future contributions will be higher than required to pay for expenses. This will leave the EI account available to contribute \$3.2 billion to the government’s balanced budget objective in 2016–17.¹² After Budget 2015, the press had become fully engaged with this issue. Reporters gave extensive coverage to the inappropriateness of using the EI surplus as the way for the Harper government to achieve its first set of balanced books since 2007.

There are other uses for an EI surplus, more consistent with EI program objectives. One would be to extend access to benefits to more of the unemployed by reducing the qualifying number of hours of insurable employment. A second would be to enhance benefits by increasing the wage replacement rate. A third would be to increase EI funding available for active measures to improve employment services and allow for more longer-term training. Other than their response to the economic downturn, the government has not increased EI funding allocations to provinces, territories, and Aboriginal organizations since 1996.

None of these ideas is on the table with the Harper government. Between 2010 and 2011, the Mowat Centre, an Ontario public policy think-tank, convened an EI task force to review the system. The group ultimately made 18 recommendations on how to improve Canada’s support system for the unemployed. In June 2013, the Atlantic premiers created a panel to look at the impacts of changes to employment insurance, which released a report containing eight recommendations a year later.¹³ There has been no response from the federal government to either of these reports.

Neglecting federally managed Aboriginal and youth programming

In 1996, the Liberal government determined that not all labour market programming was to be devolved to the provinces. The most significant responsibilities retained were programs for Aboriginal people and youth. These are managed today directly by Service Canada offices across the country through time-limited contractual arrangements with designated organizations.

Resources and authority for Aboriginal employment and training programs (as well as child care on reserve) were placed under the direct control of local Aboriginal labour market agencies in the early 1990s. This ensured that services for

Aboriginal people were locally designed, flexible and culturally sensitive. When the Conservatives came to power in 2006, they kept the basic infrastructure but changed the program focus through new five-year contracts that officially ended March 2015.

Today, these services are delivered by 85 Aboriginal organizations (offering 600 points of service) under the Aboriginal Skills and Employment Training Strategy (ASETS). Since 2003, ASETS programming has been supplemented with funding for targeted projects in high-demand areas. The current program is called the Skills and Partnership Fund (SPF). Despite consultations carried out in 2013 and 2014, the Harper government has not renewed ASETS, but instead announced a second “extension.” The project-based SPF fund was “renewed” in the 2015 federal budget to 2020. Some suspect a deliberate plan to phase out the ASETS infrastructure that has been put in place over the past 25 years.

The ASETS and SPF account for about 12% of federally funded labour market programming. Budget 2013 gave some new money through the First Nations Job Fund to enable ASETS holders to provide employment services to First Nations youth living on reserve. Other than this and a two-year funding expansion in response to the economic downturn in 2009, there has been no increase in ASETS allocations since 1999. This is despite the growth in the Aboriginal population and ever-increasing federal accountability requirements. Without this federal funding, employment services for Canada’s most disadvantaged citizens would not exist at all. ASETS organizations are struggling to survive.

While provinces would like to take on federal youth programming, the Conservative government has not followed through on its 2007 offer to devolve the programs. Despite a youth unemployment rate of 13.7% in 2013 (2.3 times the adult unemployment rate), youth programming on this government’s watch has diminished. Summer hiring of students in the federal public service has declined by more than a third since 2009.¹⁴ Federal hire-a-student offices closed in 2011. Federal funding for Katimavik ended in 2012.

In 2013–14, \$30 million in Skills Link funding, a program for youth facing barriers to employment, went unspent, which is about 17% of the strategy’s total budget for the year.¹⁵ Delivered by third-party contractors under short-term, one-year agreements, contract processing delays during 2013 and 2014 were endemic. Projects recommended by regional Service Canada offices sat on the minister’s desk for months awaiting approval. Many organizations previously funded were denied, with no explanation. Delays have meant staff layoffs and closed offices. The organizations remaining in business have lost credibility with employers. Most significantly, without services, youth with multiple barriers continue to be disengaged from the workforce.

Putting employers in charge of immigration programming

The Harper government has not focused efforts on developing the skills of unemployed Canadians by expanding active employment measures for groups such as Aboriginal people, youth, and the disabled. Instead, and as described in detail elsewhere in this book, the government has turned to non-Canadians to meet employer needs by expanding the Temporary Foreign Worker Program (TFWP), and changing permanent entrant priorities.

Unlike other immigrant programs that have quotas and targets, the TFWP is demand-driven by employers. Starting in 2007, extra staff in Citizenship and Immigration Canada and Service Canada were hired through an additional \$51 million investment over two years to “to ensure that hiring foreign workers is easier, faster, and less costly for employers.”¹⁶ The changes involved expedited processing times for labour market opinions from Service Canada staff, shorter advertising times for employers to seek local labour, extension of the length of time that a temporary foreign worker could stay in the country from one to four years, and an ability for foreign workers to be paid as much as 15% below accepted market rates.

By lowering employers’ constraints on hiring TFWS, the Harper government reduced the incentives to search for and train domestic workers to fill job vacancies. By keeping wages down, the TFWP has distorted local labour markets and created a vulnerable workforce with little to no labour mobility (see Walia chapter). As a result of media coverage demonstrating that temporary workers were taking jobs away from Canadians, the Conservative government announced major changes in June 2014. It also started to link the TFWP changes with the EI program reforms, reinforcing efforts to ensure a low-wage, compliant labour force. TFWP changes continued to create controversy into 2015, especially in Western Canada.

Recent changes to immigration processing under the federal Express Entry program (EE) also reflect Conservative government efforts to transform immigration policy into workforce development policy. Under a new points system, applicants with confirmed jobs are ranked higher than those with education and language skills. A tougher line has been taken on refugees and family reunification. These new immigration policies that serve employers’ short-term needs represent a U-turn from long-standing Canadian immigration practices that once focused on selecting the best citizens, as opposed to the best workers.

Reasserting authority at the centre: the Canada Job Grant

Two years into its majority mandate, the Harper government had become disillusioned with provincial management of employment services as LMA spending and

reporting was delayed and federal visibility and relevance diminished. In response to employer complaints about the ineffectiveness of provincially run “resume factories,” as well as government concerns over employer under-investment in training, the federal government took back control by designing and imposing a Canada Job Grant (CJG).

This grant was introduced in the 2013 federal budget with no consultation with the provinces or evidence of effectiveness. Ottawa had been sending \$500 million to the provinces every year through the LMAs to provide services for the unemployed. The CJG basically required that 60% of that money be used instead to share the cost that employers take on to train their existing staff.

Provinces unanimously rejected the federal changes. They pointed to the success of LMA programming over time and raised concerns over the diminishment of services for their most vulnerable citizens.¹⁷ Over the winter of 2014, Canadians saw advertisements on TV urging them to apply for a program that did not yet exist. But Ottawa was not to be dissuaded. Budget 2014 threatened that if agreement could not be reached with the provinces, “the Government of Canada will deliver the Canada Job Grant starting April 1, 2014 through Service Canada, engaging employer networks through Regional Economic Development agencies.”

The provinces eventually caved, based on minor modifications that mitigated a requirement for a provincial funding contribution. By September 2014, all jurisdictions with the exception of Quebec (where agreement was reached to roll over their LMA) had signed onto six-year bilateral Canada Job Fund Agreements (CJFAs) to replace the LMAs. By doing so, provinces lost the capacity – expressly stated as a goal by the Harper government in 2007 – to design labour market programming that best meets their needs.

By repurposing existing funding to focus on those who already have jobs, the ultimate result of the CJFAs will be to reduce opportunities for the unemployed and those with low and basic skills. By spring 2015, many provinces had committed all of the available federal money and put new applications on hold until 2016. Independent tracking confirms that almost all the money allocated to date is for training people who are already employed, not new hires. It is the unemployed who are losing out.¹⁸

Acting unilaterally or pretending to consult

This chapter has described many areas where the Harper government changed workforce development programs without any consultation. It placed new work expectations on EI clients, introduced a new Canada Job Grant, set up the First Nations Job Fund, expanded the TFWP, and established a new Social Security Tribunal.

Budget 2013 also announced — again unilaterally — that the government of Canada planned to renegotiate the almost \$2 billion per year allocated to provinces and territories through the LMDAs. The government’s intention was to “reorient training towards labour market demand.” These non-time-limited agreements, dating back to 1996 under the Liberals and reconfirmed as part of the country’s labour market architecture by the Conservatives in 2007, provide the core infrastructure under which provinces and territories deliver workforce development programming today.

Given the Canada Job Grant fiasco, Ottawa has initiated some consultation on LMDA renewal and other workforce development matters. Looking back at parliamentary consultations, certainly the Conservative government has kept the House of Commons standing committee on human resources, skills and social development and the status of persons with disabilities (HUMA) busy. Since 2011, there have been six dedicated HUMA studies and reports on labour and skills shortages (2012), apprentices (2013), persons with disabilities (2013), older workers (2014), Aboriginal persons (2014), and LMDA renewal (2015). All told, 337 witnesses appeared and 90 submissions were received.⁴⁹ This was a lot of effort on the part of all who testified, listened, and reported out.

Despite detailed recommendations from these studies, the government response has been mostly perfunctory. The response to the 18 recommendations on Aboriginal programming was simply a listing of what was already being spent in the area; there was no response to the substance of the recommendations. The response to the 19 recommendations on LMDA renewal was a bit more extensive.

The government also opened a second channel of communication on ASETS and LMDA renewal through a series of cross-Canada roundtables. During the fall of 2013, federal officials held 15 regional engagement sessions with stakeholders on ASETS renewal. Between April and July 2014, Parliamentary Secretary Scott Armstrong, accompanied by the EI commissioners for workers and employers, held roundtables in 11 cities on LMDA renewal. The third channel was a National Skills Summit, hosted by Minister Kenney, in Toronto on June 25, 2014.

All of these consultations were by invitation only and segmented into either ASETS or LMDA renewal. There was no crossover, despite the fact that under federal rules, provinces, territories, and Aboriginal organizations are expected to deliver similar labour market programming. Many organizations only found out about the consultations after the fact. Invitations to the LMDA roundtables were extended mostly to business, unions and post-secondary education institutions. Sometimes the provincial minister attended. Other stakeholders, including the almost 1,500 third party contractors that deliver employment programs across the country, would have liked to have been involved. ASETS-holders who attended the consultations felt that the conversations were pro forma and that their views were not heard.

There has been no report from the National Skills Summit. A thematic ASETS report was written in April 2014, and a cursory LMDA roundtable report was released in February 2015.²⁰ Federal-provincial negotiations are underway on “retooling” the LMDAs, but little information is available. The 2015 omnibus budget bill (C-59) quietly expanded the definition of who is eligible for LMDA funding. To date, no public announcements have been made. All was handled in secret.

By the numbers: changes in spending under the Harper government

Table 1 summarizes the Conservative government’s spending on workforce development matters since assuming power in 2006. I start in 2008–09 to give time for Conservative priorities to show up in budget documents and compare this to planned spending in 2015–16. I include a column called “inflation calculator” to assess the value of 2008 spending against 2015 costs.

The following observations can be made: First, program funding overall has decreased. If the government had simply adjusted for inflation they would have provided \$400 million more in programming dollars. Second, allocations to provinces and territories and Aboriginal organizations have taken the hardest hit. They have been flat-lined for almost 20 years with no increases even to account for inflation. Allocations to federally managed youth and literacy programs have also gone down. The only areas to have shown slight increases are federally managed programs for disabled people and apprentices.

Third, with the demise of the national sector councils and the Workplace Skills Initiative, pan-Canadian co-ordination, research, and engagement activities have disappeared. And this does not include funding previously provided to research organizations that are accounted for in a different spot in the federal budget. Pan-Canadian research has been replaced with province-only activities. The bottom line is there have been no new Conservative government initiatives in workforce development matters. The Canada Job Grant is a minor re-profiling of existing funding.

This conclusion is confirmed by the international comparative data. The OECD has been collecting and publishing comparable data on labour market policies for well over two decades. Active labour market measures are roughly comparable to workforce development programming as described in this paper. The OECD average of country spending on active measures as a proportion of GDP in 2011 was 0.6%. In 1996, the OECD calculated that Canada allocated 0.45% of GDP to active measures, already below the OECD average. By the time the Harper Conservatives took over in 2006, this had been reduced to 0.3%, a dramatic drop. Six years later,

TABLE 1 Comparing Federal Workforce Development Planned Spending on Transfers Under the Conservative Government in 2008–09 Versus 2015–16²¹

Program Name	Control	2008/09 (000s)	2015/16 (000s)	Inflation adjusted	Comments
Youth Employment Strategy	Federal	239.5	237.3	266.3	Decrease
Literacy & Essential Skills	Federal	29.0	21.5	32.2	Decrease
Opportunities Fund (for disabled persons)	Federal	26.7	44.6	29.7	Increase
Sector Councils	Federal	28.0	5.7	31.1	Just about disappeared
Foreign Credential Recognition	Federal	18.0	21.4	20.0	Flat lined
Workplace Skills Initiative	Federal	30.0	0	33.4	Program gone by 2010
Apprenticeship Incentive Grant	Federal	99.0	114.5	110.0	Slight increase
Aboriginal Skills and Employment Strategy (ASETS) from general revenue	Aboriginal	249.3	249.7	277.2	Decrease
ASETS from EI fund	Aboriginal	94.0	94.0	105.5	Decrease
Aboriginal Skills & Employment Partnership (ASEP); became Skills & Partnership Fund (SPF)	Aboriginal	37.7	15.0	41.9	Decrease; program renewed in 2015 at \$50m/year
First Nations Jobs Fund	Aboriginal	not offered	59.3	n/a	New program 2013
Labour Market Development Agreements (LMDAs from EI)	Provincial	1,950.0	1,950.0	2,168.1	Decrease
Labour Market Agreements (LMAs); became Canada Job Fund Agreements (CJF)	Provincial	500.0	500.0	555.9	Decrease; CJF now focused on employed vs. LMA focus on unemployed
Labour Market Agreement for Persons with Disabilities (LMAPD)	Provincial	222.0	222.0	246.8	Decrease
Targeted Initiative for Older Workers	Provincial	37.3	24.0	41.5	Decrease
Total planned spending		\$3,560.5	\$3,559.0	\$3,959.0	Same spending overall but \$400.6 million loss to inflation

in 2012, the total was smaller still at 0.24%. While on average, across the OECD, 4% of the labour force participated in active measures, Canada's rate was one of the lowest among all OECD countries at less than 1%. Specifically citing this underinvestment, the OECD reminded Canada in 2015 that strong labour market institutions and policies are the cornerstone of effective activation policies.²²

This OECD evidence is the exact opposite to what Canadians heard from Minister Kenney when he was in charge. The minister was often quoted saying “gov-

ernments are investing a whole lot of tax dollars in skills development and job training, in fact, more than virtually any other developed country in the world.”²³

Conclusion

Under the Harper government, the following changes in workforce development have occurred: a further shift of power and responsibility to the provinces and territories; a hollowing out of the centre; an EI program getting increasingly smaller; diminished services for Aboriginal people and youth; a shift to employer control through the Canada Job Grant and immigration programming; a deterioration of the federal-provincial relationship; and feeble engagement efforts with those most impacted, including business, labour, employment services organizations, training providers, and unemployed and underemployed Canadians.

The reforms to political institutions have been dramatic. The Conservative government made the right decision in 2007 to finish what the Liberals started in devolving design and delivery responsibility for active measures to the provinces and territories, and in allocating additional federal funding to them to improve employment programs for vulnerable workers. Today, all 13 provinces and territories provide Canadians with access to relatively similar workforce development programming consistent with OECD research that identifies local flexibility as key to successful labour market outcomes. Federal-provincial evaluations indicate a high level of satisfaction with provincial management. Likewise, retaining Aboriginal control through ASETS to ensure that labour market programming is locally designed, flexible, and culturally sensitive is also the right approach, supported by federal evaluations as well as HUMA testimony. It is unfortunate that Budget 2015 did not solidify this choice.

However, federal youth programming would be better managed by the provinces, joined to a coherent structure that consolidates all federal-provincial labour market agreements under a single accountability framework that moves away from reporting on Ottawa-developed indicators for each agreement, toward a more cooperative and shared federal-provincial governance structure whose key focus is policy learning. In that regard, Canada would be well advised to look at the successful co-ordination mechanisms in employment matters developed over the past 20 years in the European Union — a federal political system with striking similarities to Canada.

There are also many areas where a robust federal presence is required in workforce development, including research, labour market information, mobility, and the exchange of best practices. These have all been significantly weakened under

the Harper government. The solution here would be to look at a revitalized Forum of Labour Market Ministers that also provides institutionalized ways to receive input on an ongoing basis from business, labour, training providers, experts, Aboriginal organizations, citizens, and the unemployed. The establishment of an arms-length research, information and analysis organization similar to the Canadian Institute for Health Information would provide an evidence base for improved decision-making. While provincial research organizations have their place, to be effective they need to link to pan-Canadian comparative assessments. The recently announced Labour Market Information Council may play this role; however, no details are available.

Transparency, collaboration and opportunities for democratic input and discourse on labour market issues on a pan-Canadian basis have all become much more limited under the Harper government. Although the Canada Job Grant was a unilateral imposition, it did serve as a catalyst in forcing provinces and territories, as well as other stakeholders, to consider actions needed to modernize the country's workforce development programs.

However, it is difficult to understand what the rush has been to review the LMDAs, non time-limited funding arrangements that have been around since 1996. What is needed instead is a thoughtful and deliberative conversation on workforce development matters that goes beyond federal-provincial funding instruments. The narrow consultation processes on ASETS and LMDA renewal that took place in 2013–2014 were missed opportunities for a broader, more open, and thoughtful engagement.

Workforce development is an area that no country can get wrong for long. As outlined in this paper, the Harper government has made some good choices and some bad ones. We can only hope that the current negotiations with the provinces yield ideas to strengthen the programs already in place, before the federally funded programs Canadians have come to rely on deteriorate even further.

Endnotes

1 I would like to thank Tom Klassen and Brigid Hayes for their comments on earlier versions of this paper. All opinions expressed are mine. Unless attributed otherwise, information was taken from my previous publications, insight from interviews with key informants, and a review of federal budget, expenditure, EI, and other documents. Press coverage and research reports were also very helpful.

2 When the term “province” is used in this paper, it generally also includes territorial governments.

3 With devolved LMDA agreements, federal staff, service delivery contracts, assets, and programming dollars transferred to the provinces. With co-managed agreements, federal staff in regional offices continued to manage the programs, with provincial input. While there is a review provision, none of the LMDA agreements have defined time limits.

- 4 Government of Canada, “A review of 2014 at Employment and Social Development Canada,” December 23, 2014 press release. Link: <http://news.gc.ca/web/article-en.do?nid=916879>
- 5 See Ursule Critoph 2003, ‘Who Wins, Who Loses: the Real Story of the Transfer of Training to the Provinces and its Impact on Women’ in *Training the Excluded for Work: Access and Equity for Women, Immigrants, First Nations, Youth and People with Low Income*, Marjorie Griffin Cohen (ed), UBC Press Vancouver.
- 6 See Finance Canada (FC) (2007), *Budget 2007*, pg. 130–132 and pg. 212–214, available at <http://www.budget.gc.ca/2007/pdf/bp2007e.pdf>.
- 7 See TD Economics, 2013, *Jobs in Canada, Where, What and for Whom*, available at <http://www.td.com/document/PDF/economics/special/JobsinCanada.pdf>.
- 8 This is called the beneficiaries-to-unemployed or B/U ratio, see the latest Employment Insurance Monitoring and Assessment Report 2013/14, available at http://www.esdc.gc.ca/en/reports/ei/monitoring2014/chapter2_2.page.
- 9 See Ann Porter, 2015, ‘Austerity, Social Program Restructuring and the Erosion of Democracy: Examining the 2012 Employment Insurance Reforms’, *Canadian Review of Social Policy Volume 71*, Spring 2015.
- 10 *Ibid.*
- 11 See David MacDonald and Kayle Hatt, 2014, *At What Cost? The Impacts of Rushing to Balance the Budget*, Canadian Centre for Policy Alternatives, available at <https://www.policyalternatives.ca/publications/reports/what-cost>.
- 12 See Parliamentary Budget Office, October 2014, *Response on the Financing of Employment Insurance and Recent Measures*, available at <https://www.policyalternatives.ca/publications/reports/what-cost>.
- 13 See <http://www.mowateitaskforce.ca/> and <http://www.cap-cpma.ca/images/AdvisoryPanelFinalReport.pdf>.
- 14 See Kayle Hatt, 2014, *Help Not Wanted, Federal Public Service Cuts Have Hit Students Hard*, Canadian Center for Policy Alternatives, available at <https://www.policyalternatives.ca/publications/reports/help-not-wanted>.
- 15 See Employment and Social Development Canada, *Departmental Grants and Contribution Lapses from 2009–2010 to 2013–2014*, internal document.
- 16 See Finance Canada (FC) (2007), *Budget 2007*, pg. 217, available at <http://www.budget.gc.ca/2007/pdf/bp2007e.pdf>.
- 17 A federal-provincial evaluation released in March 2013 confirmed the province’s position, see http://www.esdc.gc.ca/eng/publications/evaluations/labour_market/2013/march.shtml.
- 18 Brigid Hayes noted in May 2015 on her blog “what I’ve seen is 11,707 people to be trained of which 10 appear to be new hires”, see <https://brigidhayes.wordpress.com/2015/05/11/canada-job-grant-an-amazing-success-but-for-whom/>.
- 19 All of this information is available on the HUMA website, see <http://www.parl.gc.ca/CommitteeBusiness/CommitteeHome.aspx?Cmte=HUMA&Language=E>.
- 20 See *Retooling Labour Market Development Agreements - Stakeholder Consultations Report – Roundtables*, available at http://www.esdc.gc.ca/eng/consultations/various/retooling_lmda.shtml. The ASETS roundtable report is an internal ESDC document.
- 21 Numbers are from the *EI Monitoring and Assessment Report* and Human Resources and Skills Development Canada (now Employment and Social Development) *Report on Plans and Priorities Supplementary Tables*. Inflation adjusted reflects the increase in consumer prices over the period and are from the Bank of Canada inflation calculator. This table identifies **planned** spending; **actual** spending in many areas

has been lower as a result of Conservative efforts to bring in a balanced budget for 2015/16. Youth Employment Strategy numbers do not include spending by other federal departments (\$81.6 million in 2015/16).

22 See OECD *Employment Outlook 2015 How Does Canada Compare?* released July 2015 at <http://www.oecd.org/canada/Employment-Outlook-Canada-EN.pdf>.

23 The Canadian Press, “Canada Job Grant applications accepted in B.C.,” in *Capital News*, October 24, 2014. Link: <http://www.kelownacapnews.com/national/vancouver/280366332.html>