



**CANADA-EUROPE TRANSATLANTIC DIALOGUE:
SEEKING TRANSNATIONAL SOLUTIONS TO 21ST CENTURY PROBLEMS**

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**Using European Governance Ideas To Open Up Canadian Federalism:
The Case Of Labour Market Policy**

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Introduction

Labour market policy aims at making the most effective use of a country's human resources. Occupying an ambiguous place between economic and social policy, it is often subdivided into active and passive components. Financial transfers to reduce hardship among the unemployed and provide a social safety net through programs such as unemployment insurance and social assistance are considered to be *passive* labour market measures. Activities to help the unemployed improve their skills and get back to work, as well as support employers to obtain the workforce they need, are considered to be *active* labour market measures.

Effective labour market programs are critical for an economy and a nation. In Canada responsibility for labour market policy is shared between the provinces¹ and the federal government. Provincial governments are responsible for education (including training) and social services (including last resort social assistance). A 1940 constitutional amendment gave the federal government exclusive jurisdiction over a contributory unemployment insurance scheme, including support to help the unemployed maintain ties with the labour market. Since both orders of government in Canada are significantly involved in the policy domain, it is essential that the multilevel governance *system* that coordinates federal-provincial relationships and ensures coherence across Canada is as effective as the actual labour market programs that operate within it.

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The economic downturn that started in the fall of 2008 significantly challenged Canada's labour market programs. Since then both Ottawa and the provinces have geared up their passive and active programs to protect individual incomes, help job seekers find work, and assist employers to adjust. How governments managed this recent recession was quite different from the recessions in 1981/82 and 1990/91 as, over the past decade and a half, Canada has made significant shifts to governance responsibility for labour market measures. Starting in 1996, the national public employment service and related programs that were once delivered by over 500 federal offices across the nation have been devolved to provincial governments through conditional federal-provincial labour market agreements involving annual transfers in excess of \$2.7 billion.² With the end of the Canada Assistance Plan³ (CAP) in 1995, federal conditions on provincial social assistance were mostly eliminated, and replacement funding for social assistance and social services through the block Canada Social Transfer (CST) has been reduced to \$6.6 billion⁴ annually. Even though income benefits through Employment Insurance (EI) continue to be managed directly by the Government of Canada (costing in excess of \$19.2 billion annually), reforms to the EI program in 1996 have resulted in the percentage of the unemployed receiving benefits dropping from 71% and 76% in the 1981/82 and 1990/91 recessions to 46% in 2008/09 (Mendelsohn and Medow 2010). This reduction in coverage has had spill-over effects for provincial social assistance caseloads and costs.

This policy brief assesses the multilevel governance system in place in Canada to manage the almost \$30 billion in funding⁵ allocated annually by the Government of Canada to labour market programs, including who is responsible for what, who pays for what, and how programs are coordinated on a pan-Canadian basis between governments and with non-governmental stakeholders. It concludes that Canada comes up short—that while we have significantly decentralized programs to enhance provincial and local flexibility, we have neglected to put complementary efforts in place to reform the pan-Canadian institutional structures and processes that ensure that decentralized governance is working as effectively as it can. We have moved so far along the decentralization continuum—with 13 different provincial systems as well as a federal-only system in place—that coordination, coherence, mutual learning and even information-sharing on a pan-Canadian basis have been lost. This situation contrasts with the European Union (EU) where, starting in 1997, member states decided to coordinate their various approaches to employment using a new governance technique called the Open Method of Coordination (OMC). This brief draws on these EU ideas—now facilitating cooperation between 27 EU member states—to suggest ways that Canada might develop increased 'ties that bind' on a pan-Canadian basis in labour market policy, while still ensuring provincial autonomy, flexibility and control.

Passive labour market policy in Canada, governance changes and who does what

Table 1 provides a snapshot estimate by province of the 1.8 million Canadians on passive benefits in March 2010; this number represents almost 5% of the Canadian population aged 15-64.

Table 1: Beneficiaries of passive benefits by province and territory March 2010

Province/Territory	Employment Insurance (EI) Regular benefits ⁶	Social Assistance (SA) Caseloads ⁷	Total people #
Nfld & Lab	38,420	25,100	63,520
PEI	8,680	n/a	8,680
Nova Scotia	32,420	n/a	32,420
New Brunswick	33,960	24,000	57,960
Quebec	187,000	339,500	526,500
Ontario	207,370	520,600	727,970
Manitoba	15,620	33,200	48,820

Saskatchewan	12,700	24,802	37,502
Alberta	52,560	40,144	92,704
British Columbia	80,020	133,800	213,820
Yukon	1,020	n/a	1,020
Northwest Territories	920	n/a	920
Nunavut	500	n/a	500
Subset total	671,190	1,141,146	1,812,336
% of total	n/a	96.4%	
Canada Total	671,190	1,183,500 (estimate)	1,854,690

While the number of individuals receiving last resort provincial social assistance (SA) is almost double that of those receiving federal Employment Insurance (EI), all attention to job loss and increased dependency on government benefits as a result of the recent economic downturn has focused on Employment Insurance recipients. The reason is that information on EI recipients is collected monthly and published by Statistics Canada, whereas Canada no longer produces timely information on provincial social assistance counts. This practise is a perfect example of the long held axiom “if you don’t count it, it doesn’t count”.

The Government of Canada stopped producing regular SA statistics in 1996 when the Canada Assistance Plan ended. With the support of federal officials, provincial Income Assistance Directors have continued to voluntarily collaborate to publish this data; however, their last report in 2010 brought us only up to 2008, just before the recession hit.⁸ While comprehensive in terms of each provincial system, the report is not publicized and is difficult to find. It specifically warns against using the information for cross-jurisdictional comparison, and provides no overall analysis of caseloads or programs. With the demise of CAP, federal conditions that ensured some degree of consistency across the country were also ended; the only condition on provincial receipt of federal CST funding today is that no residency condition be placed on social assistance. Provinces are completely free to design and deliver their last resort programs as they see fit, and post-CST most provinces have undertaken significant restructuring.

In 2009 the National Council on Welfare noted that their report on welfare incomes “provides the only regular Canada-wide picture of the country’s social assistance systems . . . and it is quite astounding how much variability there is across provinces, territories and individual situations” (Rook, 2010). Their singular focus on benefit levels, as well as the narrowness of the provincial Director’s report, leaves many other questions unanswered. In 2010 the OECD noted that the much emphasized advantage of the Canadian model of federation—the potential for innovative developments in policy and practice to be transferred across provincial boundaries for mutual advantage—was not occurring because information was not available in a timely or comparable manner. In their view an evidence base of good and bad practices, freely accessible to all provinces, would constitute a powerful asset for the country (OECD 2010).

Aside from a lack of information on what is happening *within* the Canadian social assistance system and which approaches are most effective, Stapleton (2011: 4) suggests that trying to understand the dynamics of what is happening *between* two large and economically important social programs such as EI and social assistance is like being “a one-armed archaeologist—one armed because we are able to obtain, with some difficulty, up to date social assistance data only for six provinces (selected data for two more and none for two)—and an *archaeologist* because the federal government does not release data on those leaving EI”. This situation leaves gaps in the Canadian income support social safety net, and a lack of information on the circumstances of people who in times of unemployment find themselves unable to access either EI or SA, or transition from one program to another.

The problems of inadequate data, research, information and analysis on Canada's passive labour market programs are hindered by weak governance structures that fail to take account of the multilevel nature of the policy domain. There are no mechanisms for government officials to coordinate strategically or operationally on a pan-Canadian basis between the federally-operated EI program and provincial social assistance programs, or even coordinate social assistance programs between provincial governments. Although federal-provincial Ministers of Social Services meet from time to time, their last meeting was in 2006, over five years ago. The only research undertaken comes from the federally-funded National Council on Welfare (viewed by provinces as an advocacy group), and other non-governmental organizations funded through research contracts and donations. In the absence of information and data, it is difficult for them to undertake research. Research by federal and provincial governments in Canada takes time to conclude and is often not publicly released.

Despite all provinces and territories (except for Alberta, British Columbia and Saskatchewan) launching comprehensive poverty reduction strategies over the past six years, there is no national strategy, no plan to develop one, or even a process to share information on actions taking place within each province other than on an ad-hoc basis. In 2001, Boychuk and McIntosh used the imagery of "adrift between two islands" to characterize the governance of the Canadian Employment Insurance and social assistance programs. In the absence of any attempts at a pan-Canadian multilateral approach, it is left to the provincial, regional, local and municipal level within each province to coordinate their activities with the Service Canada delivered EI program as best they can, without any access to broader, Canadian-based information and research that could potentially improve program outcomes.

Active labour market policy in Canada, governance changes and who does what

In 1996, the Government of Canada offered to devolve responsibility for active labour market programs for recipients of federal employment insurance benefits to interested provincial governments. The federal offer was triggered by a desire to demonstrate 'flexible federalism'—particularly in response to Québec sovereignty demands—as well as adjust programming in light of Organisation for Economic Co-operation and Development (OECD) research demonstrating that decentralized management regimes improved labour market outcomes (OECD 2003).

Devolution of active measures was realized through largely similar bilateral Labour Market Development Agreements (LMDAs) between the Government of Canada and each provincial government that transferred federal staff, assets and funding to provincial governments. It has taken a decade-and-a-half for all 13 jurisdictions to enter into bilateral agreements with the Government of Canada on devolved LMDAs. In addition to LMDAs, the Government of Canada has also negotiated separate bilateral agreements with provincial governments to provide active measures for non-EI clients, disabled persons and older workers. As a result, there are now relatively symmetrical active measures programs for most client groups available across Canada, governed by 49 bilateral federal-provincial agreements using four different agreement templates. Some of these programs are funded through employer and employee contributions to the Employment Insurance account, others through general tax revenues.

Table 2⁹ provides information on federal funding for Canada's active labour market programs. Total allocations are estimated at \$3,403.4 billion annually, with 62% coming from the Employment Insurance (EI) account and 38% coming from the Consolidated Revenue Fund (CRF). Post-devolution, it is estimated that approximately 79% of Canada's active labour market programs are now under provincial design and delivery, 11% are under aboriginal administration, and 10% are under sole federal control. Each of the federal-provincial agreements has different terms and conditions, including accountability frameworks. The LMDA agreements are indeterminate in length; most of the other initiatives have defined expiry dates.

Table 2: Federal funding for active labour market programs 2008/09¹⁰

Program or agreement name	EI fund	CRF fund	Control
Labour Market Development Agreements (LMDA)	\$1,939.7b		Federal-provincial
Labour Market Agreements (LMA)		\$500m	Federal-provincial
Labour Market Agreements for Persons with Disabilities (LMAPD)		\$217m	Federal-provincial
Targeted Initiative for Older Workers (TIOW)		\$35m	Federal-provincial
Aboriginal Skills and Employment Training Strategy (ASETS)	\$94.0m	\$257.6m	Fed-aboriginal
Aboriginal Skills & Employment Partnership (ASEP)		\$30m	Fed-aboriginal
Youth Employment Strategy (YES)		\$232m	Federal
Opportunities Fund (OF) (for disabled persons)		\$30m	Federal
Pan-Canadian programming	\$68.2m		Federal
Total	\$2101.8m	\$1301.6m	\$3403.4b

The devolution of program design and delivery for active measures has led to many positive outcomes in the governance of this policy domain. It has provided provincial governments with significantly greater flexibility to match programming to local conditions, thereby improving overall effectiveness (Wood, forthcoming). It has also restored harmony in federal-provincial relations, a very significant accomplishment. However, three sets of governance problems remain.

Executive dominance along with weak federal-provincial coordination. It is federal politicians in consultation with federal officials who decide how much money is to be made available, how it is distributed between provinces, overall strategic directions and priorities, the nature of the individual agreements, and outcome indicators for each agreement. Notwithstanding devolution, the pan-Canadian institutional mechanisms that bring governments together on active measures remain the same. The Forum of Labour Market Ministers (FLMM) set up in 1983 and then formalized in 1993 to promote federal-provincial cooperation on labour market issues remains unchanged, with a modest, provincially managed secretariat that rotates every two years. To date the FLMM has demonstrated little strategic policy capacity; indeed until 2010 Ministers had not met since 2003, an interlude of seven years. Federal and provincial governments that control the FLMM have not provided structured ways for legislators, aboriginal organizations, social partners, civil society or municipal governments to provide input on policy-making. There have been no changes to connect provinces with the EI Commission, set up pre-devolution to provide Ottawa with business and labour views on Employment Insurance, including active measures.

Lack of transparency, reporting and comparative research. An Advisory Panel set up by the FLMM in 2008 to review the state of labour market information in Canada reported on basic information gaps in the sector, parallel but separate fragmented universes, a lack of public awareness, and non-user friendly information. Indeed, the only national report that is produced in Canada on employment policy is the annual *EI Monitoring and Assessment Report*, assessed by small business operators as “vague to the point of being useless” (Dawkins 2009: 12). It is impossible to determine collective results achieved across Canada for the almost \$2.7 billion provided by the Government of Canada to provincial governments through the 49 different agreements, as each province reports separately on each agreement, often at different times. There are no pan-Canadian reports from either the federal government or research institutes to facilitate regular information exchange, comparison and mutual learning.

The 37 national sector councils established by the federal government in the 1990s to bring together business, labour and professional groups to address skills development issues within their sector have not forged formal links with provincial governments (which now substantially control the workforce development system) and provincial sector councils, other than on an ad-hoc, province-by-province basis. Federal funding for the knowledge networks of the Canadian Council on Learning was terminated in 2009, mostly because provinces refused to participate, viewing a federally-funded agency on learning as an intrusion into provincial jurisdiction. The federally-funded Roundtable on Workforce Skills established in 2010 consists of senior representatives from business, labour and the federal government. Provincial involvement is noticeably absent.

Fragmentation and incoherence. The pieces of active labour market programming that are now mostly under provincial and aboriginal control have each been developed separately, at different times, for different client groups in response to the compelling priorities of the day. Each of the federal-provincial agreements has a different funding formula, accountability framework, and reporting process. The fragmentation of information makes accountability, transparency and even understanding Canada's active labour market programs extremely challenging. There is no formal process for federally-funded programs for aboriginal persons through the Aboriginal Skills and Employment Training Strategy (ASETS) or the Aboriginal Skills & Employment Partnership (ASEP) programs to be coordinated with provincial programming, despite the fact that it is now provincial (not federal) officials that have the expertise and competence as it relates to labour market programming. Although the 2007 federal budget outlined a new labour market training architecture that "clarified roles and responsibilities and recognized that provinces were best placed to design and deliver [labour market] programming" (Canada, Department of Finance 2007: 212-15), the federal government continues to directly design and deliver their own programs for youth (through the Youth Employment Strategy) and disabled persons (through the Opportunities Fund), in many cases with no coordination with similar provincial programming.

Why look to the European Union for governance ideas?

Although each political system in the world is distinct, there is value in comparison, by looking at similar processes and institutions in different places we can better understand what works and what doesn't. By copying and learning from what other countries do well, governments can save money and improve program effectiveness. Comparison can also be used as an alternative to experimentation. The Canadian federation has often been compared to other federal countries (usually Australia, Germany and the United States), but little work has been undertaken comparing it with the European Union, an emerging federal political system with some very compelling similarities to Canada.¹¹ Initially formed in 1950 with six nations, over the past sixty years the European Union has step by step, area by area, put institutional structures and processes in place to facilitate joint decision making, cooperation and collaboration on a voluntary basis among what are now 27 very different member states. These innovative EU governance approaches have particular salience when searching for mechanisms to facilitate voluntary multilateral collaboration among Canada's often fractious 14 federal/provincial/territorial governments.

Comparing Canadian approaches to employment policy governance to the EU

The move towards completion of the EU internal market in the late 1990s coincided with a recession and rising unemployment. In 1993, an influential *White Paper on Growth, Competitiveness and Employment* stimulated the development in 1997 of the European Employment Strategy (EES), including identifying a high rate of employment (now raised to 75% among women and men aged 20-64) as a specific EU priority that all would strive for. Over the past decade EU-wide targets on many social policy issues have been collectively agreed to. Current targets include reducing the school drop-out rate to less than 10%,

increasing the share of 30-34 year olds having completed tertiary or equivalent education to at least 40%, and lifting at least 20 million people out of the risk of poverty and social exclusion.¹²

To achieve these EU-wide goals when responsibility lies with each member state, a new governance technique—dubbed the Open Method of Coordination—was developed. The OMC uses ‘soft’ governance tools such as voluntary coordinated action, exchange of best practices, benchmarking, codes of conduct and comparative analysis in order to promote convergence of employment policies across the EU, and work towards the overall EU-wide goal. The merits and weaknesses of the OMC have been debated extensively in the EU literature; however, there is general agreement on a number of key results. First, the OMC has successfully reframed governance to include a new pan-European dimension (Jacobsson 2004) that is an improvement over 27 uncoordinated approaches. Second, employment has been redefined away from managing unemployment towards increasing labour market participation (Vandenbroucke, Hemerijck and Palier 2011). Third, horizontal, cross-sectoral and vertical integration across governments has been facilitated, as well as improved statistical monitoring and evaluation capabilities. Fourth, the involvement of social partners and civil society has improved democracy and citizen participation at all levels. Finally, new mutual learning processes have stimulated EU member states to try new approaches that they would never have considered previously (Zeitlin 2009).

Table 3 compares Canadian and EU approaches using key elements of the OMC process as an organizing framework.¹³

Table 3: Comparing Employment Policy Governance in Canada and the EU

Co-ordination Technique	Approach in European Union	Approach in Canada
<i>Strategic goals/common objectives/guidelines/indicators/targets</i>	Employment considered a key priority area for EU-level action Nested, top-down driven multilateral process Component pieces collectively developed & agreed to	Employment not considered a collective national priority Fragmented and primarily bilateral process Some negotiation, but primarily Ottawa proposes & provinces react
<i>Monitoring, reporting and multilateral surveillance</i>	Extensive public reporting on easy to find EU-level websites linked to individual member states Comprehensive and regular multilateral surveillance involving all member states Data comparing member states publicly available	Limited reporting on pan-Canadian basis; requires search of each provincial site Some bilateral federal-provincial surveillance, no multilateral Interprovincial comparisons are rare; information lacking
<i>Information exchange, research and mutual learning</i>	Extensive pan-European coordination through third party organizations: <i>European Employment Observatory</i> and <i>Mutual Learning Programme</i> Conferences, academic networks and experts are part of a regularized,	No third party organizations to support pan-Canadian information exchange, research & mutual learning Ad hoc workshops held from time to time on selected subjects.

	<p>predictable exchange process</p> <p>Dedicated public websites, linked to Commission</p>	<p>Mostly federal and provincial officials only</p> <p>Limited joint F/P/T sites means less public information</p>
<i>IGR networks and dialogue with social partners, experts and civil society</i>	<p>Highly structured IGR process, with Ministers meeting quarterly and senior officials 10-11 times per year on a routine basis</p> <p>Information available on public websites</p> <p>Consultation with social partners and civil society at both EU and member state level is a duty. There are highly structured processes to connect</p> <p>Other EU institutions (including legislators) have defined roles</p> <p>European Commission pays for civil society, social partners, experts and government officials to meet regularly and facilitate bridging</p> <p>40 EU-wide Sector Councils, mandated to connect with member states</p>	<p>Ministers' meetings are rare. Although officials interact regularly through the FLMM, business is mostly conducted out of public view</p> <p>Limited public information available</p> <p>Provinces and Ottawa consult as each decides. No process to consult on a pan-Canadian basis.</p> <p>Legislators have no defined role, even in reviewing agreements</p> <p>Governments rarely fund bridging activities for stakeholders. Officials are often unable to meet due to provincial travel restraints</p> <p>37 Pan-Canadian Sector Councils, no defined provincial connections</p>
<i>Conditional grants</i>	<p>European funds supplement member state own resources</p> <p>Decisions taken jointly. Some stakeholder input; governments final decision-makers</p> <p>Parameters outlined in bilateral agreements; heavily monitored by European Commission</p> <p>Co-financing is embedded, long-standing requirement</p>	<p>Devolved services could not run without four federal transfers</p> <p>Federal government decides on architecture & funding; no defined consultation process</p> <p>Parameters outlined in bilateral agreements; lightly monitored by Government of Canada</p> <p>Co-financing only required for smaller agreements</p>

Analysis

Based on their divergent constitutional, historical, institutional, political and social contexts Table 3 highlights that the European Union and Canada have very different approaches to employment policy governance. The EU has a much more structured *intergovernmental process* where Employment Ministers from each member state meet quarterly on activities assigned to them by the European Council, and Ministerial outcomes at all levels are publicly available. In Canada the FLMM process is more informal, executive-dominated, and non-transparent. First Ministers rarely provide direction. Since becoming prime minister in 2006 Stephen Harper has called only one First Ministers' meeting, preferring bilateral negotiation as opposed to multilateral pan-Canadian approaches.

In the EU there is clear evidence of *participation beyond the executive* through highly structured processes that allow for business, labour, experts, academics, education & training institutions, sector councils, municipal and local governments, other civil society organizations, the EU Parliament and other EU institutions to influence the policy-making process. This participation occurs at both the EU-level, as well as within individual member-states, where EU consultation requirements are often nested within the member state's internal consultation and budget-making process. While individual provinces and the federal government on their own may seek the views of stakeholders, there are no pan-Canadian processes agreed to by all governments to seek input. Stakeholders are not invited to the FLMM table—not even aboriginal organizations that are now responsible for 11% of Canada's labour market programs using federal funding—as governments are concerned that more players at the table would alter the federal-provincial balance of power.

The sheer volume of information to be found on public EU websites on what the EU does and how it makes decisions demonstrates considerably more *transparency and openness* when compared to the Canadian system where joint websites and pan-Canadian reporting are rare. A lack of pan-Canadian comparative information due to province-by-province reporting in the sector significantly impacts citizen capacity to ensure accountability for the \$2.7 billion in federal dollars spent by provinces annually. Reporting is also hamstrung by the lack of agreed-to comparable indicators that would allow benchmarking to take place and comparisons to be made.

The EU also has more extensive processes in place—funded by the European Commission with governance supported by the member states—to undertake *research, exchange information, and facilitate mutual learning*. Since 1996, the European Employment Observatory¹⁴ has been contributing to the EES by providing information, comparative research, and evaluation on employment policies and labour market trends, available for decision making to EU member states, the Commission, stakeholders and the public at large. The parallel Mutual Learning Programme¹⁵ helps EU member states to learn from each others' experiences and enhances the transferability of good practice. Canada has no comparable institutions for labour market matters.

Having a widely accepted and legitimate EU-wide process ensures a level of *policy coherence* across the whole of the EU that is not evident in Canada. Since the EU-level has very limited tax-raising authority and capacity to make financial contributions to individual member states, it is these benchmarking, mutual learning and policy diffusion actions based on information exchange and comparison that trigger action at the member state level and pan-European coordination, not money. In contrast, in Canada we use instead the federal spending power, and—with regard to active measures programming—federal contributions are essential in order that provinces can offer employers and the unemployed the programs and services they need. However, from an intergovernmental perspective the use of the federal spending power has come under increasing criticism from provincial governments as the federal government “buying change” in order to influence decision-making in areas of provincial constitutional jurisdiction.

What lessons might Canada learn from the EU so we could govern better?

Even though Canada and the EU are significantly different in many ways, there is no reason why selected actions found to be effective in the EU to manage their multilevel governance system could not be applied in the Canadian federalism context.

In terms of *strategic goals/objectives/guidelines/indicators and targets*, it is highly unlikely that the top-down driven European model could be applied in Canada. But there are elements that have resonance. For example, the current bilateral, client-segmented labour market agreements that are governed by Canada-wide *federal* arrangements could be replaced with a *joint federal-provincial process* with a view to developing a template for a single consolidated labour market agreement with objectives and indicators for the sector agreed to by all. Not only would a single agreement improve coherence, it would also enhance transparency, accountability and understanding of the sector for Canadian citizens. Although this would require that the federal government agree to a loss of their priority-setting prerogative, given that it would strengthen pan-Canadian policy and reporting—which after all is the aim of the federal government—such a loss does not seem to be an insurmountable barrier. Federal visibility might even be enhanced if people understood the sector better. This process could be used for the negotiation of the next generation of labour market agreements, many of which will expire by 2014. It could also play a part in federal-provincial discussions around the renewal of funding to provinces through the Canada Social Transfer, a federal-provincial funding arrangement that requires renewal by 2014.

While the EU approach to *multilateral surveillance* is highly unlikely in the Canadian context, the adoption of EU approaches to *benchmarking* would appear to hold considerable promise for improving *monitoring and reporting* in employment policy in Canada. Not only is benchmarking being used in other federations, it is already being used to some extent in the health and education sectors in Canada. Provincial agreement to benchmarking in both active and passive labour market matters (including common indicators, targets and reporting) could be a trade-off to federal agreement to greater provincial involvement in strategic policy-making.

More immediately transferable would be to look at EU best practices relating to *information exchange, research and mutual learning* in order to set up a pan-Canadian agency charged with improving the quality, transparency and usefulness of information, reporting and analysis for both passive and active labour market policy. The European Employment Observatory and the Mutual Learning Programme are readily available as potential models, as is the Canadian Institute for Health Information (CIHI), which performs a similar role in the health sector.

Whatever is done in this area would require joint federal-provincial governance arrangements, not a unilateral federal decision. A more detailed examination of the EU principle of subsidiarity could help facilitate the clarification of federal and provincial roles in Canada, allowing for other federal-provincial trade-offs in order to fully consolidate, affirm and operationalize the devolution decision. Areas to be discussed could include the transfer of federal programs for youth and persons with disabilities to provinces, and provincial agreement to affirm the legitimacy of a federal role in research, comparative benchmarking and pan-Canadian reporting. This would result in the Government of Canada being no longer involved in direct program delivery, but assuming a stronger strategic and facilitating role, similar to that played in the EU by the European Commission.

With respect to *IGR networks*, a key EU best practice for Canada is to provide information on all intergovernmental activities on public websites. If Ministers met more often it would energize and revitalize the Forum of Labour Market Ministers that has changed little post-devolution. There would be better coherence in Canada between active and passive labour market policy if the FLMM took over responsibility for social assistance matters from Ministers of Social Services, and was charged as the body

responsible for provincial input into the federal EI program, and the coordination of social assistance with the EI program. A revitalized FLMM could also act as the governing body for the pan-Canadian agency on research and information.

EU ways to engage *social partners and civil society* are another best practice, especially since defined processes on a pan-Canadian basis for stakeholders to engage with policy-makers do not exist at all. New pan-Canadian stakeholder networks or defined ways for representative stakeholders to meet with federal-provincial Ministers in advance of FLMM meetings (or both) could be considered. Finding a way of ensuring, as in the EU, that Canada's national sector councils develop defined links with provincial governments and provincial sector councils beyond ad-hoc connections would improve effectiveness of both national and provincial sector councils. These new responsibilities for research, benchmarking, mutual learning and engagement might require a somewhat larger and more permanent FLMM secretariat.

Conclusion

This policy brief suggests a number of ways Canada could use European ideas to improve pan-Canadian coordination and coherence in labour market policy. Some of those recommended here are the following: consolidating the existing segmented agreements through a joint federal-provincial process; implementing comparative benchmarking; forming a new agency to improve labour market information, reporting and analysis; re-aligning federal-provincial roles and responsibilities using the EU principle of subsidiarity; revitalizing the Forum of Labour Market Ministers; and engaging social partners and civil society on a pan-Canadian basis.

Decentralists will challenge this very premise: that improving how we manage multilevel governance on a pan-Canadian basis is not necessary as what is important is what happens within each province and how programs are delivered to provincial citizens. According to this view, as long as the bilateral federal-provincial arrangements in active labour market policy work effectively, there is no need to invest time and effort in multilateral collaboration. Moreover, the suggestions made in this policy brief would require resources in order to be implemented.

But policy-makers and stakeholders from the European Union interviewed through this research—as well as the academics who write about it—believe that there *is* value to be added from complementary multilateral EU-wide action to support decentralized member state responsibilities in social policy. Canada's social learning apparatus in labour market policy on a pan-Canadian basis needs to be repaired and enriched if decentralized governance is to be as effective as it could be. Canada is already successfully undertaking pan-Canadian collaboration in areas such as health care and education¹⁶ where citizens appreciate knowing how their provincial performance compares to others. Why is this collaboration not equally important in labour market policy where governments are even more constitutionally and financially intertwined?

The OECD suggests that improved collaboration requires responsibilities to be accurately mapped, information shared, and change managed. Governments need to be convinced that the extra costs and potential conflict associated with increased collaboration will ultimately be worth it when real change becomes visible (Froy and Giguere 2010). In a policy domain where over \$30 billion is allocated annually by the Government of Canada—most of it collected from a direct tax on employers and workers—there should be no difficulty in finding funds for the improvements to facilitate the pan-Canadian coordination being suggested in this policy brief. Political willingness and citizen and stakeholder interest—not money—is the most significant constraint.

Canadian provinces and the Government of Canada are inextricably bound by geography, history and politics into a collective entity. If “we are all paddling in the same canoe,”¹⁷ the processes and practices

that facilitate interactions between governments and with stakeholders need to be improved. Post-devolution Canada is not doing badly in managing relationships in labour market policy, but could do better. Nothing builds the capacity of a multilevel governance system like using it successfully. Looking to the EU for ideas on new ways to collaborate provides a way to set a forward looking agenda that could ultimately result not only in better labour market outcomes for Canadians, but also improvements to one small part of Canada's often fractious federation.

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¹ When the term "provincial" is used in this paper, it generally also includes territorial governments.

² The Government of Canada continues to directly manage active measures for aboriginal persons, youth, disabled persons and immigrants, plus also delivers pan-Canadian programming at a cost of \$712 million annually.

³ The Canada Assistance Plan was set up in 1966 as a federal-provincial cost-shared program to assist provinces to provide adequate assistance and welfare services to persons in need.

⁴ Calculated based on information provided in Canada 2011: 8-11.

⁵ This amount does not include provincial-only allocations to active and passive labour market policy. This information is not available on a consolidated basis.

⁶ From Statistics Canada, available at <http://www.statcan.gc.ca/daily-quotidien/100520/t100520a1-eng.htm> Canada total is slightly different.

⁷ One-time estimate done by Stapleton 2011, p. 13. Caseload counts underestimate SA beneficiaries as a case includes all members of the household. Note that the Alberta numbers do not include the Assured Income for the Severely Handicapped which, if included would increase the Alberta caseload by 40,439 cases.

⁸ See http://www.hrsdc.gc.ca/eng/publications_resources/social_policy/sasr_2008/sasr2008_eng.pdf for the latest information.

⁹ Adapted from Wood and Klassen (forthcoming).

¹⁰ As part of the 2009 Economic Action Plan, the federal government made new time-limited funding of approximately \$900m available for labour market adjustment supports (an increase of 26% from the base). Most of this additional funding expired in March 2011.

¹¹ For a review of the Canadian and European Union governance systems and key similarities and differences, see the CETD policy brief *Governing Canada and the European Union: Key Similarities and Differences* (Wood and Verdun 2011), available at <http://canada-europe-dialogue.ca/>.

¹² See *Europe 2020*, the EU's growth strategy for the coming decade, available at http://ec.europa.eu/europe2020/index_en.htm

¹³ This comparison does not cover passive labour market measures. Here the EU has much weaker coordination processes. More detailed information is available upon request as identified under the references as (Wood 2011).

¹⁴ See <http://www.eu-employment-observatory.net/>

¹⁵ See <http://www.mutual-learning-employment.net/vision-and-goals/>

¹⁶ In health care this is done through the Canadian Institute for Health Information (CIHI) and in education through the Council of Ministers of Education (CMEC).

¹⁷ Indian proverb, quoted by a key informant.