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Negotiating Labour Market Development Agreements

Herman Bakvis et Peter Aucoin

March 2000

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*Negotiating Labour Market Development
Agreements*

Herman Bakvis and Peter Aucoin

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**CANADIAN CENTRE
FOR MANAGEMENT
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A Word from CCMD

This research paper is the result of a collaborative project between Human Resources and Development Canada and the Canadian Centre for Management Development. It was aimed at capturing and sharing the public management lessons learned from the important intergovernmental negotiation of Labour Market Development Agreements (LMDAs) with the provinces and territories.

The successful negotiation of agreements with eleven of twelve provinces and territories in a field of shared jurisdiction is a significant development. While each LMDA has some unique features, the authors identified two basic types - devolution and co-management - and chose to illustrate the variances by focusing on negotiations with four provinces: Alberta, Quebec, New Brunswick and Newfoundland. Their study of each case focuses on four dimensions: the policy context; the positions of the two levels of government; the 1996-97 negotiations; and the outcomes. Several innovative features of such agreements are described: the transfer of federal personnel, an equality of treatment clause and incorporation of results-based measures into the accountability framework. In order to assist governments in their efforts to be learning organizations, the authors also offer a brief assessment of the main factors that shaped the agreements, examine the implications beyond the signing and some of the issues that have arisen, and draw out six important lessons for public management.

We are grateful to Human Resources Development Canada, and in particular to the former Deputy Minister, Mel Cappe, to Claire Morris, the current Deputy Minister and to David Mac Donald, the Director General of Federal-Provincial Relations, for the financial assistance and research support provided to this project. By publishing this study, we hope to contribute to the enrichment of our individual and organizational knowledge on these topics and to continue to help public servants across Canada better serve Canadians.

Jocelyne Bourgon
President

Maurice Demers
Director General
Strategic Research and Planning

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Negotiating Labour Market Development Agreements

Herman Bakvis and Peter Aucoin

I. Introduction

The successful negotiation of Labour Market Development Agreements (LMDAs) between Ottawa and eleven of the twelve provinces and territories is an important and noteworthy development in the annals of Canadian intergovernmental relations. Labour market development is a field that the federal government has shared, and to a degree continues to share, with the provinces for close to 90 years.

The fact that the province of Quebec was one of nine provinces to sign a bilateral agreement on labour market development is significant in and of itself. The agreement removed a longstanding irritant in Ottawa-Quebec relations and demonstrated that it is still possible to come to terms with Quebec on important federal-provincial issues, even when the province is headed by a sovereignist government.

Yet the agreements involved more than just responding to the interests and aspirations of Quebec in this particular field. Ottawa was willing not only to recognize the primacy of provincial jurisdiction in labour market training but also to give all provinces the opportunity to administer important aspects of labour market development policy generally. The nature and scope of the actual agreements varied from province to province. With four provinces Ottawa negotiated what are referred to as “devolution type” agreements: in effect, Ottawa no longer plays a direct role in the purchase of work based training, employment subsidies, provision of counseling and the like. With the other provinces and territories, Ottawa negotiated “co-management” agreements whereby Ottawa continues with the delivery of the “active measures” but has given provinces considerable say and control over how the programs are to be managed. Not only are the scope of the agreements considerable but so too is the funding: close to \$2 billion a year by 1999-2000 from Ottawa with more than half of that amount placed under the direct control of the four provincial governments with devolution agreements.

The agreements also include several innovative features, such as the transfer of federal personnel to provincial governments — ranging from 200 in the case of New Brunswick to over 1,000 in the case of Quebec, an equality of treatment clause whereby provinces may have new features in subsequent agreements with other provinces apply to them as well, and the incorporation of results-based measures into the accountability framework governing the management of the agreements.

All these reasons justify examining more closely how these agreements came into being. This paper examines how the agreements between Ottawa and the provinces were negotiated, focusing on the issues that were at stake, the obstacles that needed to be overcome and the factors that we conclude ultimately led to a successful conclusion. While the focus is on the developments and factors leading to the signing of the agreements, and in particular on the federal government's internal management of the negotiating process, we also pay some attention to the implications of the agreements.*

As noted above, while each LMDA contains features unique to the province in question, the 11 agreements can be divided into two basic types: *devolution*, where provincial governments have essentially taken over program responsibilities as well as having had certain authorities delegated to them by Ottawa; and *co-management*, where the federal government, through Human Resources Development Canada (HRDC), retains an important role in the delivery and management of LMD programs, with the added feature of provincial governments having a say over the content and management of those programs. For our purposes we decided to focus on the agreements and negotiations involving four provinces: Alberta, the province first to sign and, in doing so, setting important precedents for the agreements that came later; Quebec, whose demands — dating back to the 1960s — instigated the devolution process in this field; New Brunswick, as well in the forefront of seeking to take maximum advantage of the powers made available by Ottawa through a devolution type agreement, in this instance as a means of enhancing economic development opportunities in a province with above average unemployment levels; and Newfoundland, also a province with high levels of unemployment, but in this case deciding that its best interests resided in pursuing a co-management type agreement — indeed where federal and provincial negotiators claim to have pioneered the co-management model.

In focusing on the developments and factors leading to the signing of the agreements, we concentrate on the four key dimensions: the policy context, including the background and history leading up to the beginning of the crucial negotiations in 1996; the positions of the two levels of government; the negotiations during the period 1996-97, including an examination of the main issues that arose and how they were resolved; and the outcomes in terms of the agreements reached between the provincial and federal governments in question. In the last section on outcomes there will be a brief assessment of the main factors that both shaped and helped determine the agreements that were concluded. It also will briefly examine the implications that lie beyond the signing of the agreements and some of the issues that have arisen or might arise as a consequence of the agreements.¹

* Our study is based primarily on interviews conducted with senior HRDC officials in Ottawa and in the four provinces, interviews with a limited number of officials in the Privy Council Office and on documents and press reports. Our study did not extend to interviews with provincial officials, who declined to participate by virtue of the fact that this was a federally initiated and funded study. Information, therefore, on provincial positions and behaviour during the course of the negotiations was obtained primarily, though not exclusively, from federal government officials. As a consequence, the analysis and

interpretations, while our own, are presented from a federal perspective. The interviews were conducted on a confidential and not for attribution basis.

As with any set of federal-provincial negotiations it is important to pay attention to the following factors.²

- (1) the legislative and constitutional framework governing the negotiations;
- (2) the issues that are the subject of the negotiations, as well as collateral issues arising during the course of the negotiations;
- (3) the interests and goals of the governments involved;
- (4) the approach, strategies and tactics governments deploy in their approach in light of their objectives; and
- (5) the “intragovernmental” dimension, relations *within* each order of government, both within the relevant department involved in the negotiations, between different departments of the same government and between departments and central agencies.³ Relations within governments have an important bearing on a government’s capacity to ascertain its objectives and to formulate an appropriate strategy.

Beyond these basic factors one also needs to keep in mind the manner in which earlier arrangements, and constellations of interests surrounding them, can affect the dynamics of negotiations and, ultimately, the final outcome. For example, Donald J. Savoie, in his pioneering work on federal-provincial regional economic development agreements in the 1970s, noted that within certain provinces there had evolved a closely knit policy community involving both federal and provincial officials⁴, from which senior officials and ministers based mainly in Ottawa were largely excluded. The presence of such a community, he argued, subsequently had a negative impact on relations between federal and provincial governments and on efforts to arrive at new arrangements in this field at a later stage. In the case of the LMDAs, as we will note, HRDC had established an extensive presence in the field in the form of regional headquarters (RHQs) as well as separate Canada Employment Centres. Senior officials in the RHQs played a critical role in the conduct of the negotiations, and the nature of the links between these officials and provincial officials, as well as the preferences of these HRDC officials, had an important bearing on the outcomes.

II. Policy Context

Labour market policy concerns those social and economic activities of governments aimed at making more effective use of the country’s human resources. It covers an enormously broad spectrum of issues, including labour market information, the various means available for allocating labour to different markets, and the training and upgrading of skill sets in light of labour market needs. Precisely because it covers so many aspects, and because both the objectives and the boundaries are often far from clear, labour market policy is much like regional development policy: the criteria used to develop and evaluate appropriate policies, and outcomes, are as much social and political as they are economic. Among the various labour market development tools available,

however, one that is considered central is labour market training, encompassing the training of young people in apprenticeship programs, for example, retraining or enhancing the skills of those already in the active labour market, and provision of basic skills training to allow those outside or on the margins of the labour market to gain entry to that market. It is the funding and delivery of training programs that has represented at various times the federal government's major, and at times sole, presence in this field.

The federal government's formal presence in labour market development predates the First World War, 1910 to be specific, when it appointed the Royal Commission on Industrial Training and Technical Education.⁵ The *Technical Education Act* of 1919 and its subsequent renewals gave effect to the recommendations of the Royal Commission, namely to foster vocational and technical training in secondary schools. However, while the federal government has generally seen training programs in economic terms — prime minister Lester Pearson in 1966, for example, stated that they bore directly on “national economic priorities which are the inescapable concern of the federal government”⁶ — the actual instruments are generally construed to be under provincial jurisdiction, specifically under section 93 of the 1867 Constitution Act. As a consequence, much of Ottawa's involvement in the sector has been in partnership with the provinces. Thus, the Educational Act and its renewals saw provincial governments delivering training programs, with the federal government providing the funding on a cost-shared basis. In 1948, the cost-shared or conditional grant approach was continued under the Vocational Training Agreement, with Ottawa contributing 50 per cent of the costs of provincially run programs. The main institutional vehicle helping to bring about provincial participation was the Vocational Training Advisory Council, composed of representatives of labour, management and provincial governments.⁷ Two features of this federal-provincial program were noteworthy. First, only Ontario made extensive use of this program. Secondly, two provinces made no use of the program whatsoever: Quebec and Newfoundland.

The *Technical and Vocational Training Assistance Act* (TVTA) of 1960 extended the scope of training considerably, so that the federal government was supporting not only training in secondary schools but also in apprenticeship programs and community colleges and for employed workers upgrading existing or acquiring new skills, for the disabled, and for technical and vocational teachers among other categories. Ottawa also made considerably more funding available and offered to increase its share from 50 per cent of costs up to 75 per cent for certain categories. Changes in funding for post-secondary institutions and opting out arrangements for some parts of the program that applied to Quebec altered the nature of the program somewhat but overall the thrust remained the same. The end result was a good working relationship between Ottawa and the provinces, whereby most of the money was channeled through provincial departments of education. Furthermore, a good portion of that money was spent on capital expenditures, especially on community colleges in Ontario.

A major effort to change the relationship occurred in 1966 when Ottawa announced its intention to treat training more as an economic issue and to shift to delivering more of the program components itself by purchasing places in training programs directly either from provincial

institutions or from the private sector. In effect, Ottawa was becoming concerned by what it saw as the over investment in provincial infrastructure, essentially the bricks-and-mortar of provincial community colleges, which also tended to be disproportionately concentrated in the better off provinces. As well, Ottawa began to focus more on citizens, the ones who were intended to benefit from program expenditures, than on institutions.

As a consequence the TVTA was effectively dismantled. Furthermore, selection of clients was to be done directly by the federal government through what was then the new Department of Manpower and Immigration, created in 1965. The old National Employment Service offices were given additional duties and transformed into Canada Manpower Centres. According to Tom Kent, the deputy minister at the time, the intent was to ensure that each Centre would become “a vital point in the life of its community, a point that everyone naturally turns to for employment services.”⁸ Ultimately, following strong reactions from virtually all provincial governments, Ottawa agreed that provinces would continue to play a major role in the delivery of training. Nonetheless, Ottawa did carve out a more distinctive role for itself, asserting its jurisdiction primarily through the use of its spending power, and creating a visible presence through its extensive network of Canada Manpower Centres. The new Unemployment Insurance Act (UI) of the early 1970s provided even more generous benefits but also increased funding for training under the so-called Part II, or “active measures”, portion of the UI fund whereby training costs as well as living allowances were made available to selected recipients of UI benefits. The selection of suitable recipients was done by federal counselors at Canada Manpower Centres. The 1970s saw Canada Manpower take on increasing responsibility for employment creation programs for both the unemployed and youth. Federal MPs also became formally involved in vetting employment creation program projects launched in their ridings. In brief, federal programming in this area was backed by both an extensive administrative infrastructure and considerable political support among federal MPs on both sides of the House.

The provinces continued to deliver the bulk of training programs. But in certain provinces such as Ontario, where the expansion of provincial community college systems was made possible in good part by federal training dollars, matters began to alter with the change of government in 1984. In part fuelled by a belief in turning matters over to the private sector where appropriate, the new Progressive Conservative government launched the Canadian Jobs Strategy in 1985 and the Labour Force Development Strategy in 1989. These programs contained their own contradictions by virtue of trying to meet simultaneously the needs of the economy for advanced skills that were in short supply and in providing rudimentary skills for those on the margins of the labour market. Nonetheless, according to Rodney Haddow, both programs, with their emphasis on private sector leadership and budgetary restraint, were able to break “the web of institutional linkages that had guaranteed provincial influence over federal training expenditures.”⁹ Furthermore, in breaking this web, and in focusing on private sector training providers, federal Canada Employment Centres (CECs) played an important role in developing and signing training agreements with either private sector training providers or community colleges. Even more so than before, the design and purchase of training programs became an increasingly important part of the

repertoire of services delivered by field offices of what was at that time the Department of Employment and Immigration (CEIC), that is, in addition to services such as unemployment insurance, employment counseling and placement of clients in training programs.

The ill-fated Charlottetown Accord explicitly recognized Quebec's longstanding demand, namely provincial jurisdiction over labour market training. After the failure of the accord, prime minister Kim Campbell and premier Robert Bourassa did reach agreement in September of 1993 on labour market training, but this agreement was never ratified by the incoming Liberal government. Later in June of 1994 Ottawa made another offer but it was rejected as inadequate by Quebec premier Daniel Johnson.

Three further developments are worth noting. First was the creation of the Department of Human Resources Development Canada in 1993 during Kim Campbell's tenure as prime minister. This event came about as a result of the wholesale reorganization of cabinet with an amalgamation of ministerial portfolios, and the restructuring of departments and not just those in the human resources area.¹⁰ HRDC, composed of components from five formerly separate departments,¹¹ was by far the largest and most significant entity stemming from the Campbell reorganization. While the organizational slicing and dicing was driven by prevailing symbolic politics — the need to show a capacity for downsizing the bureaucracy and the executive and the elimination of ministerial perks, for example — in the case of the social policy field there was a compelling rationale for the creation of an omnibus human resources department. Bernard Valcourt and Benoit Bouchard, ministers of Employment and Immigration and Health and Welfare in the Mulroney and Campbell governments, respectively, had openly argued for a single integrated department that would have the capacity to address interrelated issues ranging from UI to post-secondary education, and including labour market development, in a systematic fashion.

The creation of HRDC set the stage for the next important development, namely the launching, under the new Liberal HRDC minister Lloyd Axworthy, of a wide ranging social security review involving not only HRDC but also, in theory at least, the provinces and all the other stakeholders in the social policy and labour market field. At the same time, the government of Canada also announced its "Program Review," the government's plans to tackle the deficit by having all departments review their programmatic objectives and associated expenditures and administrative infrastructure.¹² The details of the Axworthy social security review and the resulting green paper, "Improving Social Security in Canada," and of the Program Review process, have been well documented elsewhere.¹³

Essentially, for HRDC these developments resulted in what the February 1995 Budget described as a "smaller global budget." Among other changes, there would be a streamlining and restructuring of HRDC programs and services, including labour market development programs, and a reduction of at least 5,000 from a staff of approximately 26,500. In the case of active labour market measures, these had been funded primarily out of consolidated revenue funds (CRF) and to a lesser extent out of Part II of the UI/EI fund.

The 1995 Budget Plan, in addition to announcing a reduction in CRF expenditures, also reiterated the announcement made in the 1994 Budget concerning UI, namely a minimum 10 per cent reduction in the overall size of the UI program as well as an overhaul of the plan itself. This reduction in UI benefits affected both Part I and Part II of the UI fund. The end result was that the amount available for labour market development programs, that is those programs with funding to be offered to the provinces, would remain relatively constant, but the crucial development was that this funding would now come almost exclusively out of Part II of the EI account. Part of the money represented the traditional EI active measures component, approximately \$1.2 million per annum, while the other, new component, entitled the “EI reinvestment” (something that over time would become somewhere between \$700 million and \$800 million), would come out of the \$2 billion in savings from Part I of the EI fund. The significance of this shift from CRF funding to EI Part II funding relates primarily to the degree of flexibility in how active labour market measures funding can be spend. Under Part II of the EI fund, expenditures on individuals can only be made with respect to those who can show that they are, or recently have been, a UI/EI claimant. Under CRF expenditures, in contrast, there had traditionally been much more flexibility as to who could become eligible, that is, participants did not necessarily have to have any connection with the UI/EI system. The legislation giving effect to these changes introduced in the House in December of 1995 (Bill C-12), also contained the seeds for an offer to the provinces, most specifically, the provision that labour market training programs would not be launched in a province without that province’s explicit approval.

At the administrative level there were some important developments, with implications for the negotiations over the LMDAs that were to come later the following year. In large part because of the need to modernize the service delivery network, to reduce staff, and to continue the consolidation of the regional offices remaining from the different departments that came together in 1993 to form HRDC, those responsible for the service delivery network designed a “hub and spoke” system of parent and satellite centres to replace the traditional Canada Employment Centres.¹⁴ During this time, HRDC did begin discussions with the provinces on ways in which the provinces might take on some aspects of HRDC program delivery, mainly in the labour market development area.¹⁵ Furthermore, in a number of provinces experiments in the form of single-window service delivery in partnership with the provincial governments were underway that contributed to a sense that it was well within the realm of possibility that provincial delivery systems could be used by HRDC to provide services to clients. However, given the glacial pace of previous federal-provincial negotiations in this and related areas, many of those in HRDC management responsible for both service delivery and program design continued their work under the assumption that HRDC would continue to be primarily responsible for program delivery. This work included the recruitment of managers for the new high powered “parent” HRDC centres, of which there were to be 100. These would consolidate the work of many of the old CECs and would play a major role in the delivery of what at that time was referred to as the Human Resources Investment Fund (HRIF), that is, for active labour market and related measures.¹⁶

As noted earlier, for Quebec recognition of sole jurisdiction over all matters related to labour market development, and not only training, had been a long standing concern and not

just by the PQ government. For many years the so-called “Quebec consensus,” encompassing not only the Quebec government but also the business community and organized labour, had argued strongly for explicit recognition of Quebec’s exclusive jurisdiction over this field. In December 1990, for example, Quebec’s National Assembly passed a unanimous resolution affirming Quebec’s jurisdiction over all aspects of labour market training.¹⁷

Furthermore, the ill-fated Charlottetown Accord of 1992, contained provisions that affirmed both Quebec jurisdiction and that of the other provinces in the labour market area and would have involved major changes. Anything less than what was contained in Charlottetown would likely be unacceptable to Quebec.

For many of the other provinces, however, jurisdiction over labour market training and the appropriate role of both Ottawa and the provinces was also an important issue. These provincial concerns were outlined in the 1995 report to the premiers, from the Ministerial Council on Social Policy Reform and Renewal. It recommended: that responsibilities within the federation be clarified and realigned, and commensurate resources be transferred; that joint federal-provincial responsibilities be minimized where this would improve the effectiveness of programs; and that use of the federal spending power not “allow the federal government to unilaterally dictate program design.”¹⁸ Composed of provincial and territorial ministers in sectors encompassed by the social policy field, including education, social services and housing, the ministerial council report reflects most of the thinking of provincial governments on labour market development. It also reflects some of the intragovernmental diversity at the provincial level, between those ministers responsible for community colleges and social services respectively, for example. In general the report pointed to a strong federal role in the provision of income support and a strong provincial role in service delivery.¹⁹ Specifically on labour market programming it stated that “the federal government should not implement its plan for training vouchers, skills loans or grants without the agreement of the provinces” and that “federal and provincial governments clearly define and delineate their respective roles and responsibilities for labour market programming, including apprenticeship and institutional training, adjustment programs, adult basic education and literacy, vocational rehabilitation for disabled persons, employment enhancement, and labour market services.”²⁰ It also recommended that the “Premiers approach the Prime Minister to discuss Unemployment Insurance reform,” including the matters of transitional arrangements and “the integration of the income support provisions of the UI program with provincial income support programs, as well as the active support measures delivered by both orders of government.”²¹ At the same time, the report also struck a diffident note, expressing concern that, “for some Provinces, the loss of federal funding for training will reduce the ability to undertake effective post-secondary planning and support infrastructure.”²² As well, it did not rule out joint delivery or management in a number of areas.

The crucial development, however, that was to set the stage for the LMDA negotiations that would begin in earnest in 1996 was the election of a Parti québécois (PQ) government in Quebec in 1994, followed a year later by the referendum on sovereignty as promised in the PQ’s election platform. In the lead up to the referendum, with strong pressure on Ottawa to demonstrate flexibility, particularly in the area of federal-provincial relations, the Prime

Minister made a number of announcements intended to recognize the legitimacy of some of Quebec's traditional complaints and to help affirm Quebec's unique position in the Canadian federation. The statement affecting Ottawa's role in labour market development came in the Prime Minister's speech in Verdun, Quebec, in October of 1995, in which he explicitly recognized that not only Quebec but all provinces had primary jurisdiction in the field of labour market training. While affecting all provinces, this concession had particular resonance in Quebec. Following the referendum, the prime minister formally announced that Ottawa would not launch any new programs involving labour market training in the absence of express agreement of the province in question.²³ All these developments helped both trigger or shape the specific offers that were made to Quebec and the rest of the provinces.

III. Federal Initiative, Provincial Response

The first specific initiative arising out of the developments in the autumn of 1995 came in December that year with the announcement of the new Employment Insurance legislation. While most attention focused on Part I of the proposed act, namely, the controversial section dealing with *insurance* benefits which in particular appeared to target seasonal workers, it was Part II of the legislation which bore directly on the issue of labour market training and development. In good part as a consequence of Program Review, Part II of the old UI Act, now the new EI Act, became, if only by default, the main vehicle for supporting active labour market measures. The five specific measures identified in the new Act can be summarized as follows:

- Targeted wage subsidies to encourage hiring and provide on-the-job experience;
- Targeted earnings supplements to help the transition back into employment;
- Self-employment assistance in the form of financial support, coaching and planning assistance to help individuals start businesses and create jobs;
- Job-creation partnerships between provinces, the private sector, labour and communities to create work opportunities in local economies;
- Loans and grants for skills development would provide funding to qualified individuals so that they can seek out the training course that best fits their needs.²⁴

The last category — “loans and grants for skills development” would be implemented by Ottawa only with the agreement of the provincial government, a policy consistent with the prime minister's November 1995 announcement. The remaining four active measures were seen as something that Ottawa could continue to deliver directly on its own.

One point worth noting is that these five active measures were not developed with provincial devolution in mind. Rather the original assumption appeared to be that HRDC's newly restructured service delivery network would continue to be largely responsible for delivering all the components, including “skills, loans and grants,” the prime minister's November announcement and Bill C-12 notwithstanding. Indeed, the new service delivery network was largely predicated on this assumption. Discussion of devolution and change was largely couched

in terms of partnerships with the private sector, non-governmental organizations and municipalities; at the same time article 63 of Bill C-12 did indicate that provincial governments were entities with whom HRDC might engage in joint ventures in co-location of offices or as partners in the delivery of EI programs.

The tabling of Bill C-12 did not constitute a formal offer to the provinces as such. Nevertheless, in response, the government of Quebec proposed “an agreement in principle” on January 18, 1996 that would see Quebec take over from Ottawa all labour market development measures and any federal activity construed as an employment creation measure, such as those delivered by the Department of Agriculture or Fisheries and Oceans, for example. The federal government did not accept Quebec’s proposal, but at the same time it did not reject it out of hand. Rather it continued “pre-negotiation” discussions with Quebec. At the same time, it carefully examined Quebec’s demands, taking them into account in developing an offer, which was then informally “tested” with some members of the Quebec consensus. Public complaints by Quebec’s minister of Employment and Solidarity, Louise Harel, about the lack of “clear answers to our proposals on an agreement in principle,”²⁵ served to keep pressure on Ottawa to produce a comprehensive offer that would meet the expectations generated by the prime minister and bill C-12. Finally, on May 30, 1996 it put to all the provinces a broad based offer on labour market training and development.

Between the release of Bill C-12 in December of 1995 and the May 30 announcement, a number of changes took place, not least at the ministerial level. Shortly after the tabling of Bill C-12 the minister of HRDC, Lloyd Axworthy, was replaced by Doug Young. Mr. Young’s initial approach to the prime minister’s commitment to withdraw from labour market training was to accelerate the withdrawal. At the same time he also indicated a concern with federal visibility, wanting to see the “Canadian flag” on every federal dollar spent by the provinces on programs in this field.²⁶ There were also changes at the deputy ministerial level, with Mel Cappe replacing Jean-Jacques Noreau, and a reorganization, as well as personnel changes, involving the federal-provincial section and the group in charge of the Human Resources Investment Fund (HRIF) of HRDC. The two were now much more closely integrated and under the direction of a single ADM rather than having to report separately to the deputy. In effect it represented a tightening of the lines of control. The federal-provincial relations branch and the HRIF group were now focused on producing an offer that would ultimately meet Quebec’s minimum demands as well those of provinces such as Alberta and New Brunswick, which had already signalled a strong willingness to take over primary responsibility for labour market development. The minister himself, after taking soundings in Quebec with various interests associated with the “Quebec consensus” became convinced of the importance of devolving as much of Ottawa’s labour market development infrastructure as possible to Quebec.

IV. The Federal Offer

The May 30, 1996 offer, in effect constituted the first concrete step towards making good on the prime minister's promises of November 1995. It spelled out exactly what Ottawa meant by withdrawing from labour market training, namely that it would gradually phase out over a three-year period, faster if a province so wished, its purchase of training and its involvement in apprenticeship training, cooperative education, work-place based training and project based training. Secondly, it offered the provinces the opportunity to deliver not just the skills, grants and loans component but all five active measures outlined in Bill C-12, complete with funding from the "active measures" or "development uses" portion of the EI fund.²⁷

Furthermore, the federal government also offered to delegate to the provinces delivery of related services such as employment counselling, screening of applicants for entry into training programs, and local labour-market placement, if they assumed responsibilities for all five active employment measures. Effectively, Ottawa was offering far more than what many observers, and many provinces, were expecting, going much further than what had been promised by the prime minister in his Verdun statement. Among the implications of the offer was the need to transfer not only financial resources but also human resources to those provinces willing to accept its terms, that is, HRDC employees in the National Employment Service involved in screening and counselling could be asked to move to a comparable provincial agency. It also meant that provinces needed to face the reality of assessing their own capacity not only to absorb the new employees but also to deliver the array of labour market development services of which the actual training programs were but one component. At the same time, there were certain conditions attached in the form of what Ottawa referred to as a "results based accountability framework" that would require provinces signing on to demonstrate certain levels of performance in terms of "outcomes" such as the proportion of clients successfully returned to the work force. Nonetheless, overall, what was striking was how much further the offer went beyond the initial promise to withdraw from labour market training and the degree to which the federal government appeared to have put most though not all its cards on the table at the outset.

One federal official described the federal offer as "very untraditional. All the bottom lines were made public — maximum devolution, the accountability framework and the dollars." (HRDC Interview February 23, 1999) The main driving force behind this approach was HRDC minister Doug Young, supported by two other federal ministers from Quebec, Stéphane Dion and Pierre Pettigrew. In the brief period between becoming HRDC minister in January of 1996 and the release of the May 30th offer, Mr. Young had become convinced of the need to demonstrate Ottawa's capacity to respond to Quebec's traditional concerns and demands. These demands, it is important to note, were not just those framed by the government of Quebec, but were ones supported by the "Quebec consensus" on the perceived need for Quebec to have full control over

all aspects of labour market training and development. Ottawa's strategy, therefore, became one of constructing an offer that would come reasonably close to dealing with the expectations of those who were part of the Quebec consensus. In other words, an offer that would be very difficult for the PQ government to turn down outright, particularly if it resonated within important sectors of Quebec public opinion, however much the PQ might wish to reject it for other reasons. The offer was made available to other provinces, and it was expected that provinces like Alberta and New Brunswick would very likely wish to take over all five active measures and associated services. But it was clear that in designing the offer, the province of Quebec was foremost in the minds of the minister and senior officials both in HRDC and PCO. It should also be noted that while the May 30th offer had the approval of the prime minister and the support of the Quebec ministers, it had not been discussed either in cabinet or in the social and economic development committees of cabinet. It was only later, when agreements with Alberta and New Brunswick were at the draft stage, that cabinet became fully involved.

V. Provincial Response

There was little doubt that a number of provinces, most notably Alberta, New Brunswick and Quebec, would opt for negotiating to the limit of the federal offer or beyond, that is, complete devolution. However, it was also expected that many provinces would opt for something less than complete devolution. Initially, however, to the surprise of some within HRDC, a number of provinces that would normally be considered to be fairly cautious, such as Nova Scotia and PEI, began exploring the possibility of taking up the full offer. After reviewing the options and possibilities, several of the provinces decided to opt for considerably less than full-scale devolution, that is, leaving the five active measures in Ottawa's hands while at the same time hoping to exercise more influence over their configuration and deployment. Alberta, New Brunswick and Quebec, however, as indicated in their formal responses to the May 30th proposal, remained committed to full-scale devolution. Two initial categories of provinces, therefore, emerged: co-management, that is, provinces favouring a modified version of the status quo; and devolution, provinces favouring a takeover of all active measures and perhaps more. By default there also emerged a third category where, in the eyes of Ottawa, the province in question was either slow off the mark or did not make a serious effort to respond to the federal offer. For a period of time Manitoba, British Columbia and Ontario fell into this category. Ultimately, Ottawa reached agreement with all provinces and territories, with five provinces and the two territories opting for co-management and four provinces opting for devolution. The exception was Ontario, where failure to reach agreement as of the winter of 2000 has been due as much to overall federal-provincial differences and the reluctance of Ontario Liberal MPs to see funding and programs handed over to the Mike Harris led Provincial Conservative provincial government, as to specific disagreements over labour market development.

The four provinces selected for closer examination for this study — Alberta, New Brunswick, Newfoundland, and Quebec — illustrate the differing strategies, positions, and

contexts of the various provinces. For Quebec, of course, control over labour market training has been a longstanding concern not only of the government but also of employers, trade unions and the general public. Its commitment to obtaining maximum control over this area was unquestioned. Alberta, in many respects was not all that different from Quebec in terms of wishing to maximize its jurisdiction in this as well as other areas. Indeed, HRDC officials in both Quebec and Alberta noted close links between the two provinces in terms of communication and common positions. However, given that Alberta's level of unemployment over the past decade has been lower than the national average, HRDC's presence in Alberta with respect to both Part I and Part II EI spending has consequently been much lower on a per capita basis. As well, the argument that labour market training falls under the jurisdictional heading of education does not have quite the same political resonance in Alberta as in Quebec. New Brunswick, like Alberta and Quebec, strongly favoured a devolution type agreement. More so than even Quebec, high levels of unemployment and the combination of dependence on seasonal employment and rural poverty have made both income support and training programs from HRDC important factors in the province's economy. Furthermore, Frank McKenna, the province's premier at that time, was personally keen on the province controlling its own affairs in the labour market area, seeing it as an important tool in New Brunswick's economic development. Much more so than in most provinces, the New Brunswick premier was in good part directly responsible for driving the LMDA agenda.

Newfoundland shares a number of characteristics with New Brunswick — high levels of structural unemployment and a high degree of dependence on federal transfer programs, including EI income support and EI active measures. The collapse of the cod fishery has made Newfoundland even more dependent on federal transfer and income support programs such as The Atlantic Groundfish Support (TAGS) program, administered by the federal Department of Fisheries and Oceans (DFO) as well as HRDC. More so than in other provinces, and specifically with respect to training programs, the province was much more dependent on Ottawa for financial support for its community college system.

Newfoundland has also been characterized by strong, assertive premiers who have been quite willing to push the limits of provincial jurisdiction in order to protect and promote Newfoundland interests. Initially the province was inclined towards a devolution type agreement when the May 30th proposal was first announced. According to Newfoundland HRDC officials, a number of provincial officials were initially attracted by the money that would flow directly to the province as a consequence of taking over the active measures, seeing the new funds as a possible source of support for their own programs in areas such as education and economic development. With the realization that distinct responsibilities, accompanied by an accountability framework, were attached to the new monies in question, the province began examining the alternative of co-management. As well, in 1996 there was a change in the premiership, with former federal DFO minister, Brian Tobin, replacing Clyde Wells. The new premier saw distinct advantages in maintaining a strong federal presence in Newfoundland, a

presence that would conceivably also involve Ottawa taking direct blame for any cuts that might have to be made to programs such as “skills, grants and loans” that represented a major life line for the province’s community college system. At the same time, the province would be in a position to influence the delivery of these federal programs, given the federal government’s new self imposed requirement for provincial consent in the area of training programs. Finally, a devolution type agreement would involve transferring HRDC personnel to the provincial system. A transfer of this sort at a time of provincial civil service layoffs was not something any government would relish. As a consequence, in September of 1996 the province gave the following response to the federal offer: “The significant labour market challenges confronting Newfoundland lead the Province to conclude that a continued strong federal role in the delivery of active employment measures and related services is in the best interests of the people of this Province. The federal organizational infrastructure currently in place is extensive and operating quite efficiently at present. The limited extent of overlap and duplication in actual program delivery in this Province does not warrant, in our view, a complete re-tooling of current federal-provincial delivery vehicles.”²⁸

The Newfoundland standpoint above represents the quintessential co-management position. Essentially, this negotiating position argued for the status quo and at the same time for a significant say in how that status quo would be managed, altered or improved in the future. The other three provinces represented the devolutionist position whereby takeover of the active measures and associated services was seen as a starting point for negotiations, negotiations that would also include the possibility of taking over yet further federal programs such as EI and youth employment programs.

VI. Negotiations

To summarize at this stage, the goal of the federal government was to bring its labour market devolution initiative to a successful conclusion by reaching agreement with most if not all the provinces, but above all with the province of Quebec. Without a Quebec agreement, the whole exercise could be presented at best as only a partial success. At the same time, an agreement with only Quebec would also be considered unsatisfactory, giving the appearance of a special deal with Quebec. Furthermore, while Ottawa was willing to go to considerable lengths to meet what it saw as the legitimate demands of Quebec and the other provinces, as indicated by the May 30th offer, it would not be agreement at any cost. There were basic standards or commitments that needed to be met: assurance that service to clients and citizens at given standards would continue; a meaningful accountability framework relating to outcomes and expenditures be in place; and that there be “fair treatment” of HRDC employees transferring to the provincial sector with respect to position, pensions and future career prospects. There were also certain things that Ottawa was *not* prepared to turn over to the provinces, in particular control over youth employment programs. It also wished to retain its capacity to intervene in situations that could be termed national crises, the collapse of the east fisheries being one such recent example where

Ottawa played a major and active role in providing income and training support for displaced fisheries workers.

The negotiating strategy of the federal government was to proceed on a bilateral basis, negotiating separately yet simultaneously with all ten provinces, though, as we will note later, putting more emphasis on certain provinces in reaching the first agreement or set of agreements. Throughout, it tried to be consistent in its approach and to stick to its bottom line as outlined in the May 30th proposal. When certain provinces early on tried to extend the range of matters under discussion, such as changing the cash transfers to tax points, federal government negotiators said no. The net result was that all the governments ultimately agreed to work within the framework set by the May 30th proposal.

The essential strategy leading up to the May 30th offer was the product of a special steering committee at HRDC's Ottawa headquarters. In the main drawn from HRDC's federal-provincial relations branch, they worked closely with the deputy and the minister, as well as with the Human Resources and Finance branches within HRDC, and kept in close consultation with PCO. The actual conduct of the negotiations, particularly on a day-to-day basis, however, was largely in the hands of senior officials in the regional headquarters (RHQs), except in the case of Quebec. Indeed, in letters to provincial governments, the deputy minister typically designated the Regional Executive Head as the government of Canada's "chief negotiator." Historically, HRDC and its main predecessor, Employment and Immigration (CEIC), have always been characterized by a high degree of decentralization. Not only are the bulk of its operations located outside of Ottawa, but also the provincially based RHQs, and regional heads, have considerable administrative authority and discretion over policy implementation. The regional executive heads (at the ADM level in Ontario and Quebec, Director-General level in the other ones) typically have good links with provincial authorities and the provincial community. In most cases HRDC staff in the regions will be from the province in which they work, that is, being native or having been raised there. It was only natural, therefore, that the REH and his/her team carry out the primary negotiations on behalf of HRDC. The main exception to this practice was Quebec, where, first, an agreement in principle was negotiated, followed by an implementation agreement. In addition to the REH and another Montreal HRDC based official, the deputy minister and another senior HRDC official from the federal-provincial relations branch in Ottawa were directly involved in negotiating the agreement in principle. Negotiation of the implementation agreement, however, was left in the hands of the Quebec REH. The RHQs, therefore, were important actors in the negotiating process and could well affect the outcomes by virtue of differences in capability and preparedness and in their relationship with the province, and by virtue of their own goals and interests, which were not necessarily the same or in keeping with those of HRDC national headquarters (NHQ).

Beyond the minister, cabinet (and especially those ministers from Quebec), and the prime minister, were the members of parliament, particularly, of course, those in the government party. Traditionally, MPs on both sides of the House of Commons have been involved in the implementation of HRDC programs, in the main employment creation programs, HRDC being literally the only large federal department other than Revenue Canada that has regular and direct contact with most if not all Canadian citizens, whether it be for Old Age Security, Canada Pension Plan or EI benefits.

The goals of the provinces, as noted earlier, varied considerably. One set of provinces, the devolutionists (represented in our study here by Quebec, Alberta and New Brunswick), aimed at full control. The other set, exemplified by Newfoundland, wanted to preserve as much as possible the status quo, that is continued federal delivery and responsibility, plus greater influence on how the status quo was to be actually shaped and implemented. In defining their interests and goals and, subsequently, in conducting negotiations, the provinces were faced with a number of problems. First, most provinces had had relatively little or no experience in developing and delivering labour market development programs, or at least a complete set. As noted at the outset, labour market development involves far more than simply training or educating various categories of labour market participants. Selection, counselling, forecasting, labour market needs assessment, and placement are among some of the other functions relevant to the field as a whole, and while all provinces had departments such as education, social welfare or economic development that handled some of these aspects, in virtually no province could one find the necessary infrastructure that could handle all labour market functions in an integrated fashion.

Only Quebec, with its Société québécoise de développement de la main-d'oeuvre (SQDM), created in 1992,²⁹ was really in a position to make a plausible argument that it had the necessary infrastructure to take on the new labour market development responsibilities. Even this agency, as will be noted later, was merged with other units and had difficulties when it eventually did acquire these responsibilities. New Brunswick, with its Department of Advanced Education and Labour, which was also the lead department for negotiation purposes, was likely better positioned to take on labour market responsibilities than most provinces. New Brunswick generally had also over the years engaged in a series of experimental projects with HRDC in areas such as workfare and thus had some experience with more integrated approaches to labour market and human resource issues generally. As well, two of the province's senior officials working on the LMDA file had previously held senior positions in HRDC. However, as elsewhere, more than one department would be involved in taking over all five active measures and associated services. The other major department was the New Brunswick Department of Human Resources Development, responsible for the province's social assistance programs, which would acquire the counselling and selection functions in the proposed takeover. The primary force driving the province's proposal and coordinating the activities of the two main departments and other elements in the New Brunswick bureaucracy was no less than the premier himself.

Alberta also had two departments that were to be involved in the management and delivery of the active measures — the Department of Advanced Education and Career Development and the Department of Family and Social Services. The former became the lead department, both in the negotiations and ultimately in the delivery of programs, but initially there was a certain amount of tension between the two departments. The Canada-Alberta experiments in co-location had provided Alberta with at least some experience and information on what would be involved in taking on the new responsibilities. Alberta's Ministry of Intergovernmental and Aboriginal Affairs also became involved in the negotiating process in the early stages in a coordinative role.

The fragmentation and overall limited infrastructure capacity at the provincial level had a number of consequences. First, a number of provinces discovered that they very likely lacked the administrative and policy capacity to take on the active measures. Discretion being the better part of valour, a number of provinces decided that taking on the entire package was too much to swallow and thus backed away and began exploring the co-management option instead. Secondly, in many provinces, whether in pursuit of devolution or co-management, the involvement of two or more departments made it, at least initially, difficult to arrive at a specific set of goals and, consequently, a negotiating strategy. It also increased the number of participants, thereby possibly making the negotiations less effective.

In brief, on both sides, there were certain internal or intragovernmental constraints: at the federal level, primarily the need to manage the differing roles and perspectives of the steering committee at NHQ and the negotiating teams at the RHQs; at the provincial level, the fragmentation of labour market responsibility across different departments and agencies.

In the actual conduct of negotiations the four RHQs and provinces used somewhat different approaches. In New Brunswick and Alberta the federal and provincial governments created teams of four to five people on each side, composed of senior officials drawn from the relevant sectors. In Alberta, for example, the four person federal team incorporated the heads of service delivery and transition and implementation. Significantly, in those two provinces the Regional Executive Head was not part of the team involved in the day-to-day negotiation. Nor was their provincial counterpart. Rather, the Regional Executive Head would be briefed on a weekly basis on issues and progress in the negotiations. He might then make suggestions or provide overall direction. Only if there were something major, a significant blockage impeding progress, for example, would the Regional Executive Head contact his provincial counterpart to see if something could be done to resolve the issue. In Alberta, the two sides also adopted what was referred to as a "one-table structure" approach, that is, all issues were discussed at one-table with all negotiators present, although there could well be one-on-one sessions to discuss specific issues, often revolving around points of information. In contrast, in other provinces it appears that there was more extensive use of side-tables to deal with particular areas, such as human resource transfers.

In contrast to Alberta and New Brunswick, in Newfoundland the negotiations with the provincial government were handled directly by the Regional Executive Head himself, closely supported on an almost full-time basis by another senior official in the region, and by two others. Other staff would become involved on particular issues. The lead department on the Newfoundland government side was the Department of Human Resources and Employment, whose deputy minister also acted as chief negotiator. In Quebec the structure for negotiations was determined largely by Quebec's basic approach to federal-provincial relations, that is, it sees relations between the two essentially as government to government, with interaction occurring at the highest level rather than simply at the departmental level. Thus, on the Quebec side the negotiations was headed by the deputy minister of social security and the head of the SQDM who was joined by a senior official from Quebec's executive council, the main central agency supporting cabinet, plus a recording secretary also from the executive council. On the federal side, the negotiations were led by the deputy minister of HRDC, another senior official from NHQ, the Quebec Regional Executive Head, and another senior official from the Quebec HRDC regional headquarters. In addition, there was a group of five to six "experts" in the backroom providing direct support — to do research and to discuss strategy and tactics. PCO officials in Ottawa were also involved at various stages. According to premier Bouchard, he and the prime minister finalized the deal in a series of four telephone discussions in the week before the signing of the agreement-in-principle.³⁰

As noted earlier, the general thrust of minister Young's "untraditional" offer was to be "maximalist," to put everything out on the table. A June 26, 1996 letter from the deputy minister to his provincial counterparts, for example, outlined in detail how much money for active measure programs was available to each province, based on historical expenditures. A later letter in September of that year did the same for administrative expenditures. In most of the provinces the meetings that took place over the course of the summer were largely informational in the sense that the HRDC people spent considerable time describing the programs in question and explaining what was entailed by the province taking them over. A considerable amount of time was also spent on "pre-ambling" and "words on paper," as described by one HRDC official in Alberta, indicating a degree of uncertainty on both sides. In Alberta, in helping to establish trust, it became important for HRDC to recognize some important values held by the Alberta government, namely that Alberta did not want to be seen or treated simply as a contractor delivering federal programs but rather wanted to be treated as a government exercising its legitimate jurisdiction.

At a certain point, however, the preliminary negotiations ended and in the fall of 1996 the really serious negotiations began, at least in New Brunswick and Alberta. In the four case studies, the question of whether to pursue a devolution or co-management agreement was essentially a non-issue. Three of the four provinces had committed themselves to devolution early on. Only in Newfoundland was there some initial wavering, but with the arrival of Mr. Tobin as premier co-management became the clear choice. HRDC in Newfoundland was also very much inclined towards co-management and, through discussions with provincial officials,

appears to have played a role in helping the Newfoundland government in making its choice. In Alberta, HRDC officials knew that the province wanted devolution, thought it feasible and, subject to fair treatment of HRDC employees, accountability and the like, were committed to helping bring about this outcome. In New Brunswick, HRDC officials were ambivalent about the province's objective to take on everything that was on offer, an ambivalence based in part on doubts concerning the province's capacity to handle the new responsibilities. Nonetheless, they were fully prepared to negotiate a fair and sound devolution type agreement, and to be responsive and flexible with respect to provincial needs and limitations.

In the case of Quebec, there were some distinct issues relating to the type of wording, approaches and principles relating to the format of any agreement that might be negotiated. First, the province insisted on a two-stage agreement: to begin, an agreement in principle, followed by an agreement on implementation. Secondly, there was a strong aversion on Quebec's part to there being any reference in the agreement to federal legislation, fearing that such references would imply that Quebec was subject to federal laws with respect to training and other areas. The objective for the federal government then was to secure its interests in the agreement, interests as enshrined in various federal acts, even if the text of the agreement did not make explicit reference to those acts. Third, not only did Quebec wish to see the basic principles outlined in the agreement but it wanted them outlined in considerable detail. Subsequently, this involved careful and detailed descriptions of the respective roles of the two governments in the agreement that was ultimately reached.

One further issue where federal acquiescence was seen as important to obtaining the agreement of not only Quebec but the other provinces as well, concerned the "equality of treatment", or "me too", clause. Thus, as found in the Alberta agreement, for example, "if a province or territory other than Alberta negotiates a Labour Market Development Agreement with Canada, based on Canada's May 30, 1996 proposal, and any provision of that agreement is more favourable to that province or territory than what was negotiated with Alberta, upon request of Alberta, Canada agrees to amend the Agreement in order to afford similar treatment to Alberta." [p. 16] The LMDAs break new ground through inclusion of this provision, which essentially gives provinces the opportunity to reopen their agreement after the fact to obtain the same benefits received by another province in a later agreement.

This clause was seen as necessary, particularly by a province such as Alberta which was "going first," as a means to alleviate the fears of a signing province that other provinces signing later might achieve a better deal.

The issues in contention relating to the substance of the actual labour market programs and services can be summarized as follows:

- The monetary resources accompanying the programs that Ottawa was prepared to turn over to the provinces in devolution agreements, or prepared to spend in a province in the case where the province opted for co-management;
- The financial resources for administrative support that Ottawa would make available to accompany the transfer of HRDC employees to the provincial sector;
- The time-frame covering the agreement;
- The nature of the five active measures and how they were to be construed and delivered by the provinces working under the devolution model;
- The “outcomes” based accountability framework that Ottawa wished to apply with respect to the programs taken over by the provinces, including the auditing of expenditures;
- The transfer of HRDC employees to the provincial public service in those provinces wishing a devolution type agreement, including the issue of fair treatment of those employees;
- Service to clients, including the priority to be given to those drawing EI benefits and the use of both of Canada’s official languages;
- The means and protocols, technical and otherwise, to be used in connecting the provincial information systems to the federal system, and vice versa, and the means to be used to meet requirements of privacy legislation at both the provincial and federal levels.

These were the issues that cropped up in all four sets of negotiations; but the ease or difficulty with which they were resolved and the extent to which they acted as deal makers or breakers varied considerably from province to province. Below is a brief discussion on each of the issues, and how they were eventually resolved. Some, as noted, were potential deal breakers.

Timeframe and Financial Transfers

In all four provinces the overall amount of money to be transferred, both for the programs and for administrative support, was extensively discussed, but it never became a burning issue. HRDC had carefully prepared the background information on past active labour market expenditures that was included with the deputy’s follow-up letter to the May 30th proposal. It included information not only on expenditure patterns for that province but also for all the other provinces. A summary of this information with respect to all provinces combined is provided in Table 1

(p. 45). Tables 2 through 5 (pps. 46-49) provide details for the four provinces in our study.

Table 6 (p.50) provides details on administrative costs alone, essentially representing primarily staff costs. Note that the total amount available for labour market measures outlined in Table 1 is broken down into two sections: funds available to provinces and territories; and funds to be administered directly by Ottawa. The latter category includes items such as “Pan-Canadian Activities,” which cover programs targeting youth, for example, programs over which Ottawa was keen to retain control so that it would continue to have some visibility and profile to Canadians. It is also worth noting that the funding being made available to the provinces came

exclusively from the EI fund and not just Part II of the fund designated for active measures. In fact funds from Part I of the fund were transferred to Part II in the form of an “EI reinvestment.” Funds being used in federally administered programs are in part drawn from the EI account but also, in the case of pan Canadian activities and the Transitional Jobs Fund (TJF), from the government’s consolidated revenue fund (CRF). All provinces pressed Ottawa for access to both the money and, in some cases, responsibility for the programs under the “federally administered” heading. Newfoundland, for example, wanted to have influence over TJF spending, given that Mr. Tobin, who as a former federal cabinet minister had already succeeded in accessing some of the TJF funds before leaving federal politics, would soon be facing a provincial election where spending on job creation could be seen as helpful. In Quebec, the issue generally was resolved through a compromise whereby the deputy ministers of the two parties would examine the issue of overlap and duplication with respect to CRF funded programs.

On administrative expenditures there was also debate, and more variability. In some provinces, the RHQ of HRDC had been devoting more staff resources, for example, to counselling and placement, while other RHQs had devoted more to other activities. In Newfoundland, however, it appeared to be more the RHQ than the provincial government making this argument to NHQ, namely that the region was being short changed in terms of staff positions. In the end, a clause was inserted in the Canada-Newfoundland agreement stating that the issue would be reviewed in the future.

Equally important for all provinces as the level of funding, indeed likely more so, was the timeframe. Essentially, all provinces felt that three years was too short; that instead the three year period should be seen more as a learning or experimental phase that would then lead to something more permanent or indeterminate in nature. At a minimum, they wished to see funding guaranteed over a longer period. It should be kept in mind that the negotiations were taking place not very long after Ottawa had cut transfer payments under Established Programs Financing and the Canada Assistance Plan (both of which were then combined into the Canada Health and Social Transfer in 1995) by unprecedented amounts. And there was the suspicion that Ottawa might simply be offloading a set of responsibilities onto the provinces and that it would terminate funding after three years and thus leave the provinces in the uncomfortable position of either funding the programs out of their own pockets or terminating them themselves. In other words there was a strong climate of mistrust which Ottawa had to overcome. Quebec was the province that pressed hardest on the issue, arguing that the agreement could not be of a fixed length given that human resources had been permanently transferred. Ultimately it succeeded in changing what was initially a closed three-year offer into an indeterminate multi-year agreement with three years of firm funding and two years of funding at a level left unspecified but being no less than what was being received in the third year of the agreement. The Quebec agreement also specifies that it can be terminated by either party, but not before the initial three-year period and then only with two years notice and after a review has been completed of “results obtained” (clause 9.2). Under

the “me too” clause provinces which had signed previously before Quebec would also be eligible for a five year funding period. However, in what was described by Ottawa officials as a pre-emptive move, the minister wrote to all the other provinces, making them aware of the five year deal with Quebec and offering them the same terms.

Program Delivery

The issue here, which became a source of contention primarily in the case of Quebec, was the degree to which any given province was willing to deliver programs that matched the description of the five active measures. Most of the provinces were willing at least to re-title or re-package their program activities so as to meet federal requirements. With Quebec matters were somewhat different in that the province wanted the active measures be described not only in terms of objectives desired by Ottawa but also in terms of the objectives being pursued under the rubric of Quebec’s labour market policy. Between them, the two parties agreed on the headings of “i) job preparation, ii) entry into employment, iii) job retention, iv) direct job creation and v) employment stabilization” (p. 3 Agreement-in-principle) to describe the active employment measures funded out of Part II of the EI account. Elsewhere in the agreement reference is made to employment benefits being used to “help them [clients] obtain skills for employment,” for example.

Accountability Framework

The results based accountability framework was a sticking point that elicited extensive discussion, but in none of the provinces did it become an issue that threatened to derail the negotiations. One of the Quebec HRDC negotiators, for example, noted that while there was considerable discussion of it, in retrospect “it was not that difficult.” On one level, the idea of an accountability framework smacked of paternalism and conditionality, program dollars with conditions attached. At another level, however, some of the more fiscally conservative governments such as Alberta were ideologically committed to outcomes based management and accountability, and related approaches, all aimed at achieving better value and results from more limited expenditures. In principle, therefore, a government like Alberta was not opposed to a more rigorous reporting and evaluation of programs and outcomes. The issue for provinces such as Alberta became accountability not to another government but accountability to citizens. Thus, not only in Alberta, but also in a number of the other provinces the question was essentially one of control over the program evaluation process and how the results of that process would be used. In certain other provinces, Newfoundland, for example, there were also strong doubts about the basic methodologies themselves.

A number of dimensions to the accountability framework proposed by Ottawa affected the negotiations. As originally developed during the time of the HRIF, the assumption

was that HRDC would be delivering most if not all of the five active measures and that it would be HRDC and HRDC staff who would be subject to the accountability provisions, most specifically the managers of the 100 new HRDC parent centres. These would be the entities that would be actually implementing active measures programs, developing partnerships with groups and employers in the local community and so on. The HRDC managers in question then would be assessed with respect to the number of clients of the active measures who were successfully returned to the work force and no longer a drain on Part I of the EI account, subject to prevailing economic conditions, plant closures and the like. In other words, the accountability measures appeared to be designed for internal HRDC use. To the extent that these measures and controls were to be applied to provinces, the provinces might not appreciate being treated as simple appendages of HRDC. The other aspect concerned the fact that the funding for the five active measures, insofar as it came from Part II of the EI account, was subject to audit by the federal auditor general. Thus provinces were worried on at least two counts that they might become part of a federally run machine.

First, then, there was the concern of being subjected to an evaluation procedure seen as arbitrary if not flawed and where failure to meet standards could result in financial penalties.

More than one provincial government noted that demonstrating direct links between active measure expenditures, changes in unemployment and reduction in the proportion of EI claimants was difficult at best. It becomes even trickier when results data of this sort are used to change programs or expenditures on a year-to-year basis. There could easily be, for example, a two-year lag between program expenditures and desired changes in the unemployment rate. Secondly, having the federal auditor general inspecting provincial accounts, if only for symbolic reasons, was not something that would be acceptable to the provinces.

One suspects that the accountability framework as originally developed would have been difficult to implement even within HRDC. As discussions evolved, therefore, HRDC negotiators began backing away from the original formulations. However, this did not necessarily mean backing away from targets or evaluation per se. Even the provinces agreed that good quality assessments as to program effectiveness was something that was highly desirable. Rather it was more a matter of who would control the process and the use of the results. Quebec argued, for example, that through its own evaluation and statistics unit within its Ministry of Social Solidarity it was fully capable of doing its own assessments. In the end, therefore, the signed agreements for Alberta and New Brunswick include provisions on “expected results of provincial benefits and measures,” “evaluation,” “monitoring and assessment,” and “financial accountability.” Under “expected results,” for example, one finds a listing of criteria as primary indicators for measuring “the number of active EI claimants that access provincial benefits and measures” and “savings to the EI Account.” (p. 8) Additional clauses provide for the establishment of mechanisms to “jointly

set the targets for each fiscal year” and to “jointly review and assess the achievement of results.” Under “evaluation,” Canada and the province agree to “jointly develop and carry out a two-phased evaluation process” by a “Joint Evaluation Committee” that, among other things, will determine the impacts and effects of the provincially run programs on sustainability of employment, impact on communities and change in tax revenues. Financial accountability is secured by having the province submit a report containing an audited financial statement following generally accepted accounting principles certified by the auditor general of the province, as well as a statement, also by the provincial auditor general, certifying that all payments received from the government of Canada were paid in respect of actual administrative costs incurred in that fiscal year. Thus, while Ottawa establishes the basic methodology for the primary indicators and the form that audited statements will take, their implementation is handled by a joint committee with respect to results based measures or by the provincial auditor general with respect to certifying audited statements.

In the case of the Quebec agreement, the basic thrust concerning results and evaluation, and the basic criteria to be used is similar to that in the Alberta and New Brunswick agreements, except that here there is no reference to a “joint” evaluation or monitoring process or setting of targets, except for the role of the “Canada-Québec Joint Committee to Oversee the Labour Market Agreement” to “designate experts” to carry on discussion with regard to the setting and revision of targets and the conduct of evaluations. (pp. 8-9). Rather, following the Canada-Quebec implementation agreement, “Quebec shall establish on [an] annual basis results targets” (p. 6) and “an evaluation framework will be developed by Quebec.” (p. 8) At the same time, Canada will provide support to Quebec in the form of “tools and methods” and “access to pertinent data” in order to allow the latter “to assume its responsibilities.” (p. 7) In brief, the Canada-Quebec agreement was carefully crafted to leave Quebec formally in charge of the accountability framework but ceding to Canada a right to receive reports on a regular basis and requiring Canada to supply Quebec with tools and data. Quebec’s Vérificateur général shall conduct an annual audit in accordance with generally recognized audit standards but without formally requiring that it be in a form acceptable to the federal auditor general.

In the case of Newfoundland, here too the final agreement specifies that both partners concur on the need for criteria for measuring the effectiveness of the active measures and that both parties will cooperate in implementing a two-phase evaluation framework. The important difference here is that unlike the other three agreements, Ottawa is responsible for the implementation and delivery of the active measures and thus also responsible for the “results”, even though the Newfoundland government will have participated in setting up the evaluation framework and criteria.

Crucially, while the agreements make reference to the “joint” setting of targets, or continued discussion of setting targets in the case of Quebec, nothing is said in any of the agreements about the consequences of targets not being met. In other words, there are no direct

sanctions or penalties should provincial programs fail to achieve targets mutually agreed upon. The only sanctions would lie in the transparency of the reports on the resulting outcomes submitted to the federal parliament, and the possibility that beyond the initial three years Ottawa might argue for a reduction or change in the transfers to the provinces. Beyond this, however, the only requirement on the provinces is to engage in “discussions” with HRDC.

Human Resource Transfers

One of the more dramatic though not unprecedented features of the LMDAs involves the transfer of a substantial number of HRDC employees to the provincial public sector in those provinces with a devolution type agreement.³¹ The numbers range from 170 employees in the case of New Brunswick, 204 in the case of Alberta, to 1,084 in the case of Quebec.³² This transfer was dramatic in the sense that both large numbers and a fair bit of trepidation on the part of employees were involved; and unprecedented because transfers of this order and magnitude had not been attempted previously, at least outside of Quebec, which meant that there was limited experience that could be used by HRDC, central agencies such as Treasury Board Secretariat and provincial managers to address the various complexities and hurdles that arose. For many HRDC managers in the regions the human resource transfer came to represent the single most difficult issue.

From a negotiating perspective the problem for both sides was not so much lack of agreement that this needed to be done, assuming that the provinces in question were going to take over the active measures and other services. Rather in many ways it became more of an internal problem, with Ottawa, for example, having to assure the employees in question, and the relevant public sector unions, that they would be receiving fair treatment in terms of pensions, salary, seniority and the like,³³ and with the provinces, in turn having to reassure its public sector employees that the new arrivals would not displace provincial workers or receive specially favoured treatment. The HRDC negotiating teams were also concerned with client service, both with respect to services for which HRDC still remained responsible but where the employees that formerly had these tasks had left because of the transfer, or with respect to service continuity if both the employee and the service were now under provincial jurisdiction.

For provinces there was an inherent incentive to push for financial compensation for administrative costs associated with the newly acquired responsibilities without necessarily taking any or all of the related HRDC employees. HRDC negotiating teams, however, quickly put paid to that idea. HRDC in New Brunswick ensured that the province took on direct responsibilities for the employees in question, when these were transferred in two separate blocks. The other related issue was how many employees would need to be transferred. The basic rule of thumb was that the full-time equivalents (FTEs) at stake would be those directly involved in administering the active measures, counselling and selection. Eventually, the numbers agreed upon

were rather fewer than initially thought, although the variability from province to province was interesting, reflecting the fact that in some provinces the RHQ had devoted more resources to counselling and the like while the reverse was true in other provinces.

The real work, however, resided in coming to terms with the respective collective agreements, wage differences and the like that, particularly for a less well-off province like New Brunswick, made it difficult to shift a number of employees directly into a new jurisdiction. In many cases, federal employees would be arriving with higher salaries than their provincial counterparts. Initially the public sector unions wanted to be directly involved in the negotiations, but both governments decided that this was inappropriate in a government-to-government setting. The province in many respects was in a more difficult position, having to deal with several unions, some of which engaged in a highly public campaign opposing the move, using both print and radio advertisements. On the federal side, the public sector unions were also unhappy, but the actual employees less so. While reluctant, in both Alberta and New Brunswick the HRDC employees were satisfied with the arrangements and the guarantees that were made. In New Brunswick the transfer, as noted, occurred in two blocks, the whole arrangement being covered by a highly detailed Employee Transfer Agreement, ensuring that the financial transfers did not take effect until the employees in question were actually transferred.

In both New Brunswick and Alberta HRDC people felt it was important that the employee transfers and the negotiations surrounding them be handled by the regions. In Alberta, for example, much time was devoted to communicating with employees, keeping them up-to-date on developments in the negotiations. According to Alberta RHQ officials, it is unlikely the same level of trust would have developed had the negotiations and reassurances been handled directly by Ottawa. One further element that helped in Alberta was that the sizeable experiments in co-location with the province in Edmonton and Calgary helped dispel some of the uncertainty on the part of employees involved and made them more receptive to the transfer. The HRDC official in charge of these co-location experiments was also involved in the federal-provincial negotiations.

The situation in Quebec with respect to employee transfers was rather different. Essentially it boiled down to the fact that many, though not all, HRDC employees were not opposed to the move and some were actually eager for the opportunity to move to the provincial sector and supported the principle of Quebec jurisdiction. Furthermore, for several of them it represented an opportunity to help build a new organization. And for many it was attractive financially. The terms of transfer negotiated for them were very good and, as well, pay scales and the like in the Quebec public service tended to be better than those in other jurisdictions. The Quebec minister, Louise Harel, made it known that she had a good opinion of HRDC employees and would welcome them into the Quebec public service. At a minimum, the prospect of HRDC transferring to the province had been discussed for a number of years and the actual transfer therefore ended the uncertainty. The bottom line, therefore, was that the affected employees had waited a long time, wanted to continue working in the field of labour market development, were

ready to help put the new organization in place, and, finally, saw in the transfer certain financial advantages. There was still a lot of detail work regarding employee classification and the like that needed to be completed. But the employee transfer issue was not a major irritant.

Service to Clients/Language of Service

Continuity in service to clients was one of the principles held to be important in the negotiations. This principle appeared to mean rather different things in the four different jurisdictions. In some respects, it simply meant the absence of major disruptions in client service, in other respects it appeared to mean continuity in case management, and yet in other respects it meant continuity in service levels and standards. Certainly in all four jurisdictions both provincial and HRDC officials wanted above all to avoid major disruptions and to see continuity in basic levels of service. The issue that became a major sticking point, a potential deal breaker, in one of the provinces was language of service, and the province in question was Quebec. It was an issue that took many weeks to resolve and was discussed at the highest level, that is, directly in cabinet, and ultimately was negotiated directly by prime minister Chrétien and premier Bouchard. In the words of one HRDC negotiator it was “not so much what should be done but how to reconcile two different legislatures”; it was a matter of “respecting autonomy and jurisdiction.” Quebec declined to acknowledge the jurisdiction of the Official languages Act with respect to delivery of Part II measures; Ottawa in turn appeared reluctant to confer any more legitimacy to Quebec’s Charter of the French Language than was necessary. In the end, the issue was resolved through an exchange of letters by the responsible ministers, carefully crafted by both sides, that became part of the agreement in principle. In effect, Quebec guaranteed that English-speaking clients would receive information, counselling, training and the like, in their own language in accordance with the provisions of the Charter of the French Language. With respect to “written communications with corporations established in Quebec,” it was agreed that for purposes of the Official Languages Act Canada would exercise those functions instead but only for the delegated functions such as placement and exchange of information and not for the active measures that were in fact transferred.

The language issue was effectively a non-issue in New Brunswick, Canada’s only officially bilingual province with a well-developed capacity to deliver programs and services in both languages. Alberta was willing, to a degree, to accommodate Ottawa on this issue; its agreement specifies that “in areas of significant demand” the province will provide access to programs and service in both official languages, using the provisions in the Official Languages Act but only as “guidelines”, in consultation with representatives of the minority language group in each locality. Pamphlets and other items of information are available in both official languages in “Canada-Alberta JOBS” centres managed by the Alberta Department of Advanced Education and Career Development.

Information Sharing

One of the more daunting tasks facing both Ottawa and the provincial governments concerned linking the information systems of the two governments together. It was daunting not because it was necessarily a source of conflict but because of the myriad details and problems relating to technical and legal constraints. Differing computer and information systems not just between governments but also within governments was one major hurdle. In providing a seamless and integrated service to clients, checking on the status of someone drawing social assistance as to their eligibility for Part II EI benefits, for example, would necessarily involve linking together, or at least accessing, the client's social assistance and EI files. The problem in doing so might in part be technical, but it might also be legal, that is privacy legislation could prevent a clerk, even someone working for the same government, for example, from accessing information on a client that was originally collected for a different purpose. Other connectivity problems related to the responsibilities for collecting and entering labour market information for the National Employment Service (NES), that the three devolution agreement provinces would acquire in signing the agreement.

To help resolve the issue Ottawa made money available to each of the three devolution agreement provinces to help defray the costs of upgrading and connecting their information systems. Each of the agreements contains a detailed annex outlining what information is to be shared (e.g. client social insurance numbers, benefit and claim records) and the protocols governing the disclosure and management of such information (e.g. applicability of the federal Privacy Act and comparable provincial legislation). HRDC and their provincial counterparts have taken a fairly flexible if not broad interpretation as to what constitutes appropriate sharing and disclosure of client information. According to HRDC officials, while this approach may yet be challenged, by privacy commissioners for example, a more restricted and rigid philosophy in this regard would likely make the sharing of meaningful information well nigh impossible. The importance of data exchange and information sharing resides not only in the area of client service, ensuring that provincial officials doing the screening and selection of candidates for training have access to the relevant EI client records, but also in allowing HRDC to assess the participation rate of EI clients in provincially run programs and to help reduce fraud. The provinces also have an interest in the last issue. In brief, there were mutual interests and much goodwill on both sides that made the information sharing issue during the negotiations much less of an obstacle than it could have been.

That is not to say that technical problems related to connecting disparate and potentially incompatible systems will not arise — some surely will — but certainly there appears to be a commitment on both sides to resolve them.

Timing

The issues discussed above can be termed substantive in the sense that they relate to issues like funding and jurisdiction. There were also a number of items that can be termed process issues in that they relate to the dynamics and the process inherent in the negotiations themselves. First and foremost, there was the issue of timing: who would be first to sign? What incentive was there in doing so? This was an issue of concern to both Ottawa and the provinces. For Ottawa getting to a first agreement was important, in the sense of breaking the ice. But, with which province was also a crucial consideration. It soon became apparent that Alberta and New Brunswick were the provinces most advanced in responding to the federal offer and in understanding what was at stake. The RHQs in those provinces also played an important role insofar as they were responsible for the actual conduct of the negotiations, and part of their responsibilities involved bringing the province up to speed, helping them in framing its demands. The extensive experiments in co-location in Alberta helped HRDC staff in that province in establishing a good relationship and getting the negotiations off the ground. In New Brunswick, working with the province on experimental programs to reduce dependence on welfare helped there.

For Ottawa, the ideal situation was a first agreement with Alberta. New Brunswick with its Liberal government and the fact that minister Young was from that province made a first agreement here less attractive. It could be perceived as less consequential and, possibly, as favouritism on the part of the minister. A deal with Alberta, a province regarded as a tough and sophisticated bargainer and not usually seen as a traditional ally of Ottawa, on the other hand, would likely impress other provinces. HRDC in Alberta itself was also keen to be first, sensing that they were working on something important and precedent setting. Furthermore, by being first they could address the issues that they and the province felt were important, rather than being stuck by precedents set by an agreement with another province. HRDC staff in that province saw that as a powerful incentive to move the negotiations along, and the province appeared to share in that sentiment. In the end Alberta signed its agreement a few days before New Brunswick in December of 1996, a little more than a year after Bill C-12 was first tabled.

Ottawa was also keen to hold up the Alberta and New Brunswick agreements as models for the other provinces. In general, the steering committee in NHQ favoured the devolution model. To them, the devolution model made more logical sense, with its clearer lines of responsibility, despite the fact that those in the service delivery and corporate service branches were worried about there being enough of a critical mass out in the field to justify the maintenance of full scale HRDC centres in some of the regions.

In contrast to full-scale devolution was the case of Newfoundland. The co-management agreement it signed in March of 1997 was quite different from the Alberta and New Brunswick agreements. According to Ottawa officials, the steering committee in NHQ was

flexible as to whether a province opted for devolution or co-management; and in September of 1996 the minister indicated to Mr. Tobin that he was quite willing to entertain something quite a bit less than a full-scale devolution arrangement in order to expedite negotiations. The HRDC people in Newfoundland, however, sensed that at least some in NHQ favoured devolution over co-management and felt that, in resisting, they were the ones that effectively pioneered the co-management approach, not only for Newfoundland but for other provinces as well. “Basically, we took the Alberta and New Brunswick agreements, took out the devolution wording, put in the co-management wording and then went to Ottawa.” Thus, instead of sections dealing with the transfer of responsibilities and staff, the Newfoundland agreement specifies the arrangements for co-management, including the structure for the management committee (composed of equal number of representatives from each partner) and the Regional Committees for Labour Market Development and the arrangements for co-location. The appendix on co-location is actually one of the longer appendices attached to the agreement.

On April 21, 1997, after two weeks spent resolving the tricky official languages issue, prime minister Chrétien and premier Bouchard signed an agreement in principle. This was followed by seven months of “very tense” negotiations over the details of the implementation, “tense” not so much because of political issues but because of the degree of complexity and details involved. Unlike the negotiations for the agreement-in principle, these negotiations were handled by a senior official from the Quebec RHQ. In November of 1997 the detailed implementation agreement was signed by ministers Pettigrew and Harel representing Ottawa and Quebec respectively. Thus, unlike the agreements with the other three provinces, the Quebec agreement came in two stages, and it outlined in considerable detail the principles involved while minimizing references to legal statutes and authorities. The implementation agreement specified down to the smallest detail what was to be transferred, including the type of computer equipment and the size not only of the “standard workstation” (“80 square feet”) but also the type and dimensions of the furniture (e.g. “corner table 42 x 42 x 29”).

Intragovernmental Issues

As noted earlier, some of the problems and issues that needed to be overcome were related as much to relations *within* each of the federal and provincial governments themselves as relations between the two levels of government. At the provincial level, this typically involved bringing together two or more departments that had interests or responsibilities in the labour market development field. At the federal level it involved relations within HRDC, typically between NHQ and RHQs, as well as between the different branches at NHQ, and between HRDC and central agencies, especially PCO.

We have only limited information on possible differences and problems at the provincial level. To a greater or lesser extent all provincial governments had a problem of fragmentation of responsibilities across different departments or portfolios. Quebec, at the same time as it took on the new responsibilities, also embarked on a major reorganization bringing together the SQDM, which had originally been created as a separate agency, with the ministry of social security to form the new ministry of social solidarity (Solidarité sociale). These changes caused problems both for the implementation phase and for the negotiation phase. Some of these problems will be discussed below in the “outcomes” section.

With the opportunity to interview HRDC staff not only in NHQ but also in the RHQs in the four provinces as well as PCO officials, we do have more information on *intragovernmental* issues at the federal level, especially those arising between NHQ and the RHQs. These issues ranged from the type and level of support provided by NHQ to the regions to some of the fascinating differences in interests and perceptions held by NHQ and the RHQs.

Generally, all four RHQs were pleased with the level of support provided by the federal-provincial branch of HRDC. While the negotiations were, in the main, handled by the regions, excepting Quebec for the agreement in principle, the federal-provincial branch did represent the driving force, and most important issues and parts of agreements did need the approval of the centre, and ultimately, of course, of the minister and prime minister. If the negotiations were perceived to be lagging, there would be pressure applied on the region. There was considerable praise for the way the financial people in Ottawa were able to produce or repackage financial information in a timely and responsive fashion. Support in this respect helped to make negotiating the funding transfer issue with the provinces much less difficult than it might have been. The human resource transfer issue was seen as more problematic, where HRDC officials in the regions sometimes felt that they were working in an information vacuum and where the necessary tools for overcoming obstacles relating to pensions, seniority and the like were simply not available. Some of this criticism was levelled at the human resources branch in HRDC but more so at the Treasury Board Secretariat. It should be stressed, however, that despite the transfer of Revenue Canada employees to Quebec in the early 1990s as part of a tax harmonization agreement, the area of human resources transfers from the federal to provincial levels remains relatively new.

On a perceptual level, there were important differences between NHQ and the regions. Certainly in all four provinces RHQ's staff felt that without their presence and involvement, there would be no agreement. Only they, it was argued, had the necessary rapport and trust with provincial officials; only they had a proper understanding of the lay of the land, what the province was willing to accept, what the real interests of the province were. Officials in Ottawa, in turn, felt that in the absence of the pressure that they consistently applied and the logic of the proposals that they had developed, the regions were unlikely to have succeeded. Both sides would agree that they needed each other. Nonetheless, in some instances there were

major differences in interpretation of goals and developments. In Newfoundland, for example, the feeling was that Ottawa was opposed to the co-management option, while Ottawa argued in turn that while it favoured devolution it certainly did not rule out co-management, particularly if this were the preference of the provincial government. To a lesser extent these concerns were also voiced by HRDC in New Brunswick. In Newfoundland, however, differences occurred across a wide range of issues, whether it was the perception that the Newfoundland region was being short changed in terms of staff, cross-subsidizing the devolution agreements, or not being understood with respect to the unusual importance of the community college system in that province relative to other jurisdictions. Ties between Newfoundland HRDC officials and the provincial officials appeared to be very close, to the point where it becomes very difficult to distinguish between provincial interests and goals and those of the Newfoundland HRDC. In some respects, it appears that most of the hard bargaining occurred not between Ottawa and the province of Newfoundland but between HRDC NHQ and Newfoundland RHQ. The nature of the relationship appears similar to that described by Donald J. Savoie involving the regional officials of the former Department of Regional Economic Expansion (DREE) in New Brunswick and officials of the provincial government who formed a relatively closed policy community that came to be at odds with both officials and politicians in Ottawa.³⁴

In Quebec no such issues arose, at least not at the most senior levels, where senior officials based in Montreal worked side by side with the deputy minister himself, as well as consulting with PCO staff. In none of the other three provinces does it appear that HRDC officials came to develop the type of close relations found in Newfoundland. Paradoxically, it was in Newfoundland, where RHQ officials claimed that one of their aims was to preserve the strongest federal presence possible, where there also appeared to be the greatest tension between the RHQ and NHQ.

Within HRDC NHQ there were differences between different branches. Those in the service delivery and employment insurance branches were naturally concerned as to how loss of staff in the regions might compromise the service delivery network and the integrity of labour market development policy generally. Furthermore, the service delivery network had already undergone considerable change in the previous two years and managers in this branch were not keen to see yet further changes and possible disruptions. Nonetheless, once it became clear that the minister and the department were committed to making good on the May 30th announcement and that the prospect of striking agreements was favourable, the branches provided the necessary support, helping to establish the number of FTEs involved in the delivery of the active measures, for example. Similarly, while there had been a certain amount of friction between HRDC and PCO earlier in connection with Program Review, for example, in the case of the LMDAs PCO provided, according to HRDC officials, excellent support, primarily in relation to the negotiations with Quebec.

One factor that could potentially have affected the negotiations in a major way did not in fact have much impact, namely the concerns of MPs and federal ministers over losing

control of programs implemented in their ridings or provinces over which they have traditionally enjoyed some influence. Particularly on the government side, MPs, working through caucus, might have been able to put pressure on the minister to resist turning federal programs over to the provinces. MPs were indeed concerned over changes in EI programs, but this concern was focused primarily on changes in Part I of the UI/EI act, that is insurance benefits, where major reductions were planned for repeat users and part-time workers. Much less attention was paid to the possible implications of changes in the active measures component under Part II. In other words, most MPs were preoccupied with the Part I changes and, many of them, being first time MPs, were not really up to speed on what the proposed changes to the active measures might entail. The parliamentary secretary for HRDC, Robert Nault, did head an advisory committee of government MPs, which was briefed on a number of occasions by HRDC officials. However, this committee did not play a major role and, according to one HRDC official, remained largely passive.

The one exception is Ontario, where interest in the negotiations was, and still is, much higher, though this interest largely arrived after the initial set of agreements were signed. Ontario, with 101 government MPs, is also a good example of what can happen when MPs are both numerous and on top of the issue. It is still lacking an LMDA, and one reason for this state of affairs is the extreme reluctance of the Liberal caucus and certain key Liberal ministers to see federal programs involving employment, training and the like being placed in the hands of a provincial government considered by many MPs to represent the antithesis of what the Liberal party stands for. In contrast, in New Brunswick in 1996, the senior minister in the province, Doug Young, was also the HRDC minister who was strongly committed to seeing as many provinces as possible take up the May 30th offer. In the other provinces, federal ministers were separately briefed on the negotiations and the proposed agreement for their province, but while they expressed some unhappiness, they demanded neither changes nor rejection of the proposed agreements. In brief, more government MPs or ministers, especially experienced MPs in the provinces in question, who were aware of, and concerned with, the issue might well have affected the outcome. In the end, however, MPs were not a factor in shaping the LMDAs that were ultimately signed.

In the late stages, when the draft agreements for Alberta and New Brunswick were brought before the federal cabinet, there were some delays. Since cabinet, excepting for key ministers from Quebec, had not been directly involved in approving the May 30th proposal, when they were presented with the draft agreements there were numerous questions. This, in turn, resulted in some delays and, at one point, concerns were raised that federal negotiators might have to go back to the provinces requesting changes. The agreements were ultimately approved by cabinet as originally negotiated, with PCO officials playing a crucial role in ensuring that all the clarifications and information on the agreements demanded by cabinet were provided within a very compressed time frame.

Overall, it is worth stressing that while the negotiations were conducted primarily by senior civil servants on both sides, the whole process was considered by most officials to be intensely political. Again, stemming directly from the sense of crisis surrounding the 1995 Quebec referendum, it was an important issue to both federal and Quebec political leaders. For this reason, officials in PCO remained close to the negotiations and those in the PMO also kept a watching brief. Public opinion in Quebec, particularly that associated with the Quebec consensus, was considered by Ottawa to be critical. Continual soundings with important figures in Montreal were taken to assess support for the federal proposals within the Quebec community, the strategic aim being to design a deal that would be difficult for the PQ government to turn down in light of its likely acceptance by others involved in the Quebec consensus.

In other provinces the political executive also took a close interest. It was a topic of intense discussion in the Newfoundland cabinet, and for New Brunswick premier Frank McKenna it was an issue that he discussed directly with the Prime Minister. Within the Quebec cabinet there was considerable debate over, and opposition to, the proposed agreement, until it was finally decided that “the political cost of rejection would be higher than that of acceptance.”³⁵ Outside of Quebec, the more general political climate was also important. In the lead up to, and shortly after the Quebec referendum, there was considerable goodwill and a willingness to show flexibility. It was during this phase that the LMDAs were negotiated. By late 1996, however, the climate began to change, with more emphasis on “tough love” vis-à-vis Quebec in particular and the provinces more generally, a change that was articulated in part by parliamentarians on both sides of the House. More than one HRDC official noted that had the negotiations been delayed for any length of time, it is unlikely that many or, for that matter, any agreements would have been signed.

Outcomes

By 1998 nine of the ten provinces had signed agreements. An agreement with Ontario continues to elude the parties. The agreements struck with Alberta, New Brunswick, Newfoundland and Quebec set the tone for the remaining agreements. The main highlights of the four agreements, with respect to the scope of the agreements, program funding, federal visibility and the like, are summarized in Appendix 2. The descriptions of the components in the Quebec agreement-in-principle are less specific, but the implementation agreement does provide much greater detail, at least with respect to the human resource transfer issue and the arrangements for joint oversight and implementation.

In seeking to explain this set of agreements we can summarize the various factors cited by the main participants: first and foremost was the Quebec agenda. Jurisdiction over labour market training had been a demand of long standing for both Liberal and PQ

governments in Quebec, a demand that was supported and reinforced by a broad public consensus. While there had been ongoing discussions about devolving at least some of the active measures to the provinces, especially since 1994 as part of Program Review and the social security review, the specific catalyst lending urgency to the discussions was the Quebec referendum and the perceived need to demonstrate to Quebec citizens that federalism could be made to work. And one way of doing so was to respond in a flexible and positive fashion to one of Quebec's longstanding concerns. To make good on the promise a number of additional factors became important. First, there was a strong commitment by the then minister of HRDC, Doug Young, to develop a set of proposals that would not only meet but also in some respects exceed the expectations of the provinces: a package that would satisfy the basic demands of Quebec and a number of the other provinces, that still preserved a role for Ottawa in certain so-called "pan-Canadian" areas, and that was fair to HRDC employees who would need to move to the provincial public sector. This ministerial commitment was reflected in, or coincided with, organizational changes within HRDC itself, with the federal-provincial relations and policy branch having a direct reporting relationship to the deputy and with a shared commitment to crafting a proposal that would lead to a deal with the provinces, notwithstanding concern with or opposition to devolution in some quarters within the department. Support and advice from PCO was also seen as crucial to a successful conclusion to the negotiations, especially with respect to the Quebec file. It appears clear that there was a clear commitment on the part of the department to a plan of action, centred around the May 30th proposals, that was then systematically implemented by the federal-provincial relations branch. Mr. Young's successor as HRDC minister, Pierre Pettigrew, like his predecessor, was committed to seeing the negotiations through to a successful conclusion and in this respect was able to use his considerable diplomatic skills to help achieve this objective.

One "untraditional" feature of the federal approach that likely contributed to the outcome was that it put its bottom line on the table at the outset and its bottom line offer contained far more than what most of the provinces had been expecting or, for that matter, were able to reasonably assimilate. To be sure adjustments to this bottom line were ultimately made, primarily in relation to the timeframe. But the basic definition of the active measures and the base funding allocations outlined in the final agreements were quite close to what was contained in the May 30th offer. This "maximalist" and transparent approach likely helped engender a degree of trust among the provinces; certainly it appears to have reduced the time-frame for the negotiations.

HRDC officials in the regions, as the front line negotiators, also played a critical role, both in getting to 'yes' with their provincial counterparts and in shaping the final agreement. The development of a level of trust with the provinces and, in particular, the negotiation of human resource transfers in the three provinces with devolution agreements, would not have occurred in the absence of the role played by the regional officials. Furthermore,

in the case of the Newfoundland LMDA, the RHQ by its own account played an important role in steering the provincial government towards the co-management model.

Finally, it should be stressed again that the general political climate prevailing at the time, stemming in good part from a sense of goodwill both before and following the Quebec referendum, was an important factor. But, within less than a year following the referendum, federal attitudes hardened, becoming less conciliatory both towards Quebec and the provinces. These changes in attitude occurred not only in cabinet but also in caucus and within the Canadian public outside of Quebec more generally.

Given our lack of access to provincial officials, we are limited in what we can say about the reasons that led provinces to sign the agreements, whether co-management or devolution. Information from federal officials and some press reports, lead us to suggest the following. For a province like Newfoundland the agreement made eminent sense. Even though the province was unhappy about the phasing out of support for community colleges, the opportunity to have direct influence over the management design of the active measures, as delivered, likely proved very attractive. For provinces like Alberta and New Brunswick, the opportunity that was attractive for them was control, and funding, over a range of programs that they felt were under provincial jurisdiction or logically could be better handled at the provincial level. The opportunity to reduce financial pressures on their social welfare budgets by being able to place some of their social assistance clients into EI funded active measures programs may have been a factor, though likely not a critical one. The information sharing components in the agreements were likely perceived as win-win situations, allowing provinces, as well as the federal government, to reduce fraud and improve levels of service. The fragmentation of authority and responsibility for labour market type functions across a number of different provincial departments likely reduced the effectiveness of the provinces in articulating a well-developed position and perhaps put them, initially, at least at somewhat of a disadvantage. Certainly a number such as Nova Scotia and Saskatchewan, and not just Newfoundland, backed away from the devolution option, opting for co-management instead.

Quebec signed its agreement-in-principle after extensive discussion in cabinet, and presumably after reviewing all its strategic options. It can be argued that there were some attractive features in the agreement, including the availability of trained and committed federal officials who were willing to move to the provincial sphere and to embark on the creation of new institutions for delivering the active measures under Quebec jurisdiction. It also gave the Quebec government a concrete opportunity to demonstrate that it was willing to absorb federal employees, something it has promised to do on a much broader scale should the sovereignist project ever become a reality. Ultimately, it was likely a case where Quebec could not afford to reject the deal. Had it done so it would have stretched its credibility within important sectors of the Quebec community. The business and educational sectors were favourably disposed towards the package, and the Quebec media had positive things to say about it. Symbolically, it would be

difficult for the Quebec government to argue that it had knuckled under solely because of pressure from Ottawa.

The signing of the LMDAs represented only the immediate results. As specified in the agreements themselves, much remained to be worked out in subsequent discussions and negotiations, for example, the creation of joint mechanisms and the setting of targets. As well, unforeseen problems in areas such as sharing of data bases and linking federal and provincial information systems may delay aspects of the agreement. While some preliminary reports have come in on how the active measures have fared under provincial jurisdiction, subsequent years will tell us the story. It is possible, however, to report on some of the observations made by those closest to the action, namely HRDC officials in the regions. The degree to which the HRDC regional staff were satisfied with the outcome can be placed roughly into two categories. In three of the provinces, HRDC officials were reasonably pleased; in one, the staff would have preferred a different outcome.

Specifically, in the case of Newfoundland both the RHQ and the Newfoundland government appear satisfied with their co-management arrangement. At the centre point of the arrangement is a secretariat, located in the Newfoundland government's confederation building, which is responsible for supporting the work of the management committee and the six regional councils.³⁶ HRDC, of course, is responsible for the delivery of the five active measures. Through the joint management council and the regional councils, the Newfoundland government's influence extends to an effective veto over the manner HRDC delivers the active measures. Members of the provincial house of assembly also have considerable interaction with the workings of the regional councils. For their side, HRDC officials feel that they have managed to preserve and even extend the federal government's presence and visibility throughout the province, and by working more closely with provincial officials are in a much better position to assess needs and problems in the province.

The Alberta HRDC officials were generally pleased with the functioning of the LMDA and no concerns were volunteered about the quality or amount of information on the delivery of the active measures. They did express concern, however, about what they perceived as a limited capacity within the Alberta RHQ to handle the functions that remain. Since they still have responsibility for the youth and aboriginal programs and for performing analyses of Alberta labour market needs, they argued that the loss of certain key staff to the province means they were now understaffed.

The province where senior HRDC officials have a fairly high degree of comfort with their devolution agreement was Quebec. In good part as a result of the detailed requirements built into the implementation agreement, federal officials have been extensively involved in the various processes used to implement the agreement. As such, they have a good sense of how labour market policies and programs are faring in that province. Newspaper reports

suggest that evaluations conducted by “la Direction de la recherche, de l’évaluation et de la statistique du ministère de la Solidarité sociale” indicate that the province is having difficulties in mounting the new programs, largely as a consequence of bringing no less than three separate agencies together.³⁷ As well, Quebec is attempting to create a highly centralized delivery mechanism in an area where HRDC had traditionally operated in a more decentralized fashion. In terms of impact, there appears to be a decline in the proportion of clients successfully being returned to the workforce. Reports in the media also claim that Emploi-Québec is unable to provide funding for clients who had their training programs already approved.³⁸ Evidence of such problems is being used by some Liberal MPs from Ontario to argue that any future agreement with Ontario should be much more stringent in terms of conditions and controls. HRDC officials, while acknowledging that the creation of a new organization such as Emploi-Québec might create some problems and that Quebec was facing some public criticisms, were, however, satisfied by the fact that Quebec was taking the evaluation process and content seriously. Generally, HRDC appears to be pleased with the working relationship it has developed with Quebec and with the Joint Committee to implement the labour market agreement.

The New Brunswick HRDC officials are less happy. After a year’s experience in living with the agreement their general sense is that they no longer have a good sense of how well specific programs are faring. A co-management arrangement, they felt, would have given them much more information and influence over the operation of the programs. They also expressed some concern over the New Brunswick government’s capacity in handling and integrating the different active measures, especially given that two departments are involved, namely, Advanced Education and Labour and Human Resources Development, and that relations and formal links between the two are somewhat problematic. Among other things, they noted that New Brunswick did not take up all the money that was available, suggesting that it was experiencing difficulty in selecting and placing clients in programs and that service in the rural areas was not as strong as it had been under HRDC. Furthermore, they were disappointed with what appeared to be the very limited examination of provincial expenditures of EI monies on active measures by the provincial auditor general.

The key question that a number of officials both in Ottawa and in the regions raised is the extent to which HRDC still has the capacity to provide a nationally and integrated labour market strategy. The implication appears to be that HRDC no longer has the necessary critical mass of expertise, especially out in the field, given the asymmetry in the roles of its regional offices across Canada, and given that its authority has been fragmented across jurisdictions. A federal advisory body, the Canadian Labour Force Development Board (which ceased to exist in early 1999), has also argued that the transfer of responsibilities to the provinces has resulted in “an uneven and inequitable system” for Canadians.³⁹ At a minimum, one HRDC official noted, it would have been better had Ottawa pressed a little harder to ensure that there were provisions with teeth requiring provinces to meet certain standards of performance. But at the same time, he acknowledged it would have been difficult, and hypocritical, to expect the provinces to accept such standards, given that up to that point HRDC

had never really attempted in any meaningful way to apply these kinds of standards to itself! Thus, it appears that in many ways the capacity that HRDC and its predecessors possessed at one stage had always remained unrealized. It is this point, therefore, that one might wish to keep in mind when, five to ten years from now, we begin to assess whether or not the promise of the LMDAs have been fulfilled.

VII. Lessons For Public Management

This study has been, in good part, an examination of how Ottawa and 11 provinces and territories successfully negotiated a set of agreements on a contentious and longstanding issue — the respective roles of the two orders of government in the field of labour market development programs. Above all, however, it is a case study of the federal government's management of planning and negotiating changes in intergovernmental tasks and responsibilities. We conclude therefore with our interpretation of what lessons can be gleaned from this experience in public management. We acknowledge, of course, the limitations of generalizing on the basis of a single case. Yet, given that the federal government was able to bring these negotiations to what are widely considered to be successful conclusions, this case is a significant one.

In our view there are six important lessons to be drawn. They are that the negotiating department ensure that:

- good vertical linkages be established between the departmental centre and its regional/local field offices, given that the latter are likely to have the closest ties with their provincial counterparts;
- good horizontal linkages be established between the different functional groups at its centre, in light of the fact that intergovernmental agreements are invariably multidimensional, that is, encompassing political, policy, intergovernmental, finance, and human resources considerations;
- the departmental centre set the framework for direction, delegate responsibility for negotiations to field officers, but then perform the corporate challenge function to keep the ultimate objectives firmly in sight;
- central political, policy and management agencies be fully engaged so that whole-of-government issues are managed in a coordinated manner;
- regional officials be sufficiently well informed and advised so that they can recognize when the political dimensions of negotiations require the attention of those with the authority to engage at the political level;
- human resource issues be considered at the outset, so that they can be managed as integral dimensions in negotiations; and,

- maximum degree of transparency be present in the offer to all provinces, with the provision for subsequently adjusting agreements to ensure common treatment where desired.

Given the account of the process that we have described, these lessons may appear to be nothing more than simply good management principles. They are this, of course. Yet, we need to remind ourselves that, among other things (including simple good fortune), success depends on not only the recognition of good management principles at the outset but also the willingness to adhere to them throughout what can be an uncertain and tense process.

Notes

1. A detailed discussion of the agreements, and a more explicit evaluation of them, can be found in Thomas Klassen, "The Federal-Provincial Labour Market Development Agreements: Brave New Model of Collaboration?" in H. Lazar and T. McIntosh (eds.) *Federalism, Democracy and Labour Market Policy in Canada* (Kingston: Institute of Intergovernmental Relations, Queen's University, 2000).
2. These factors are among the main ones first identified by Richard Simeon, *Federal-Provincial Diplomacy: The Making of Recent Policy in Canada* (Toronto: University of Toronto Press, 1972).
3. J.S. Dupré, "The Workability of Executive Federalism in Canada," in H. Bakvis and W. Chandler (eds.) *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), pp. 236-258.
4. Donald J. Savoie, *Federal-Provincial Collaboration: the Canada-New-Brunswick General Development Agreement* (Montreal: McGill-Queen's University Press, 1981).
5. For a history of Ottawa's involvement in labour market development see John Hunter, *The Employment Challenge: Federal Employment Policies and Programs, 1900-1990* (Ottawa: Government of Canada, 1993).
6. Quoted in J.S. Dupré et al., *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario* (Toronto: University of Toronto Press 1973), p. 30.

7. Ibid., p. 15.

8. Quoted in *ibid.*, p. 49.

9. Rodney Haddow, "Federalism and Training Policy in Canada: Institutional Barriers to Economic Adjustment," in F. Rocher and M. Smith (eds.) *New Trends in Canadian Federalism* (Peterborough, Ont: Broadview 1995), p. 343.

10. For details see Peter Aucoin and Herman Bakvis, "Consolidating Cabinet Portfolios: Australian Lessons for Canada," *Canadian Public Administration* 36 (1993), 392-420.

11. The largest component (85 per cent in terms of full-time equivalents (FTEs) in the new HRDC) was the former Employment and Immigration department, minus the Immigration Branch; the Welfare side of Health and Welfare was the next largest (10 per cent of FTEs); all of Labour Canada and smaller components from Secretary of State and Multiculturalism and Citizenship represented the remainder.

12. P. Aucoin and D.J. Savoie (eds.) *Managing Strategic Change: learning From Program Review* (Ottawa: CCMD, 1998).

13. Herman Bakvis, "Shrinking the House of HRIF: Program Review and the Department of Human Resources Development," in G. Swimmer (ed.) *How Ottawa Spends, 1996-97* (Ottawa: Carleton University Press, 1996), p. 133-70.

14. H. Bakvis, "Getting the Giant to Kneel: A New Human Resources Delivery Network for Canada," in R. Ford and D. Zussman (eds.) *Alternative Service Delivery: Sharing Governance in Canada* (Toronto: KPMG/IPAC, 1997), pp. 154-71.

15. See his "Note from the Deputy Minister: Federal Proposal on Labour Force Development," (Ottawa: HRDC, June 1994).

16. Bakvis, "Shrinking the House of HRIF".
17. Pierre April, "Bourbeau fait l'unanimité sur le rapatriement de tous les pouvoirs touchant la main-d'oeuvre" *Le Devoir* December 14, 1990, A2.
18. Ministerial Council on Social Policy Reform and Renewal, "Report to Premiers," December 1995, p. 10.
19. Ibid., p. 13.
20. Ibid., pp. 15, 16.
21. Ibid., p. 16.
22. Ibid., p. 15.
23. Office of the Prime Minister, *News Release*, "The Prime Minister Delivers on Referendum Commitments with Initiatives for Change," November 27, 1995.
24. Human Resources Development Canada, *News Release*, "Government of Canada Offers Provinces and Territories Responsibility for Active Employment Measures," May 30, 1996, Backgrounder #1, p. 2.
25. Quoted in Rhéal Séguin, "Ottawa to get out-of- job training; Quebec unhappy with timetable" *Globe and Mail*, February 24, 1996, A4.
26. Edward Greenspon, "Young Pledges Move Out of Training," *Globe and Mail* [Toronto], March 1, 1996, A4.
27. Human Resources Development Canada, *News Release*, "Government of Canada Offers Provinces and Territories Responsibility for Active Employment Measures," May 30, 1996; Human Resources Development Canada, "Getting Canadians Back to Work: A Proposal to Provinces and Territories for a

- New Partnerships in the Labour Market,” May 30, 1996.
28. Judy M. Foote, Minister, Department of Development and Rural Renewal, Government of Newfoundland and Labrador, letter to the Honourable Douglas Young, Minister of Human Resources Development, Government of Canada, September 11, 1996.
 29. Andrew Johnson, “Towards a Renewed Concertation in Quebec: La Société québécoise de développement de la main-d’oeuvre,” paper presented to the annual meeting of the Canadian Political Science Association, Brock University, June, 1996.
 30. Edward Greenspon, “Quebec gets job-training role Ottawa cedes control” *Globe and Mail* April 21, 1997, A7.
 31. The precedent was set with the 1990 tax harmonization agreement between Ottawa and Quebec, which saw Quebec taking on the administration of the federal Goods and Services Tax (GST) and, as a consequence, the transfer of a number of Revenue Canada staff to the Quebec civil service.
 32. In the case of Quebec the final number transferred was actually closer to 1010.
 33. Federal assurances in this regard were governed by the definition of what constituted a “reasonable job offer” under the federal “Work Force Adjustment Directive” (Ottawa: Treasury Board Secretariat, July 1996).
 34. Savoie, *Federal-Provincial Collaboration*.
 35. Greenspon, “Quebec gets job-training role Ottawa cedes control”, A7.
 36. www.gov.nf.ca/hre/wiconcert/Service.htm.
 37. “Les assistés sociaux sont les grands perdants,” *Le Droit*, February 18, 1999, 2; see also “La confusion règne à Emploi-Québec,” *La Presse*, February 19, 1999, A1, A2.

38. "Separatist cause damaged by crisis, PQ minister says," *Globe and Mail* August 20, 1999.
39. Draft report, quoted in *Globe and Mail* November 26, 1998, A4.

Table 1
Projected Distribution of EI-Related Funding
Under New Labour Market Arrangements, 1995-96 to 1999-2000

Funds/Years	<u>1995-96</u> \$M	<u>1996-97</u> \$M	<u>1997-98</u> \$M	<u>1998-99</u> \$M	<u>1999-00</u> \$M
Available to Provinces and Territories for Active Measures					
1. EI Development Uses	1,214	1,172	1,150	1,150	1,150
2. EI Reinvestment	0	175	380	600	700
Total - provincially-administered	1,214	1,347	1,530	1,750	1,850
3. Income Support for EI Claimants	500	500	500	500	500
4. Pan-Canadian Activities	186	228	250	250	250
5. Transitional Jobs Fund	0	60	140	100	0
Total - federally-administered	186	288	390	350	250
GRAND TOTAL	1,900	2,135	2,420	2,600	2,600

Source: Adapted from: Human Resources Development Canada, attachment to letter to provinces from J.-J. Noreau, Deputy Minister, June 1996. Note: Amounts under Pan-Canadian Activities include funds allocated on a national basis. Funding made available to the provinces do not include additional funds for administrative costs available to provinces with a devolution type agreement.

Table 2
Projected Distribution of EI-Related Funding*
Under New Labour Market Arrangements, 1995-96 to 1999-2000
(\$000s)

ALBERTA

Funds/Years	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Max. Funds for provincially-managed programs**					
UIDU/Part II (Base)	86, 695	81, 857	80, 454	80, 591	80,714
Re-Investment	0	7, 858	17,063	26, 941	31,431
Total - Max. funds for provincially-managed programs	86,695	89,715	97,517	107, 532	112,145
Income support under active measures					
Part I (Benefit Entitlements)	36,821	36,821	36,821	36,821	36,821
Pan-Canadian responsibilities					
Ongoing	7,782	10,997	10,997	10,997	8,074
Transitional	0	792	1,942	1,375	0
Total B Pan-Canadian responsibilities	7,782	11,789	12,939	12,372	8,074
Grand Total	131,298	138,325	147,277	156,725	157,040

* Additional funds for administrative purposes for provinces that take up programs and aspects of the National Employment Service will be discussed separately.

** Maximum funds under new Labour Market Arrangements where provinces/territories fully take up May 30 labour market proposal.

Table 3
Projected Distribution of EI-Related Funding*
Under New Labour Market Arrangements, 1995-96 to 1999-2000
(\$000s)

NEWFOUNDLAND

Funds/Years	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Max. funds for provincially-managed programs**					
UIDU/Part II (Base)	49,458	51,676	51,121	51,504	51,849
Re-Investment	0	15,988	34,716	54,815	63,950
Total B Max. funds for provincially-managed programs	49,458	67,664	85,837	106,319	115,799
Income support under active measures					
Part I (Benefit Entitlements)	26,059	26,059	26,059	26,059	26,059
Pan-Canadian responsibilities					
On-going	2,270	16,076	16,076	16,076	2,340
Transitional	0	9,198	22,560	15,966	0
Total B Pan-Canadian responsibilities	2,270	25,274	38,636	32,042	2,340
Grand Total	77,787	118,997	150,532	164,420	144,198

* Additional funds for administrative purposes for provinces that take up programs and aspects of the National Employment Service will be discussed separately.

** Maximum funds under new Labour Market Arrangements where provinces/territories fully take up May 30 labour market proposal.

Table 4
Projected Distribution of EI-Related Funding*
Under New Labour Market Arrangements, 1995-96 to 1999-2000
(\$000s)

NEW BRUNSWICK

Funds/Years	1995-96	1996-97	1997-98	1998-99	1999-00
Max. funds for provincially-managed programs**					
UIDU/Part II (Base)	49,028	47,189	46,425	46,544	46,651
Re-Investment	0	9,213	20,005	31,587	36,852
Total B Max. funds for provincially-managed programs	49,028	56,402	66,430	78,131	83,503
Income support under active measures					
Part I (Benefit Entitlements)	23,402	23,402	23,402	23,402	23,402
Pan-Canadian Responsibilities					
Ongoing	12,744	13,656	9,410	3,080	2,488
Transitional	0	4,928	12,088	8,555	0
Total B Pan-Canadian responsibilities	12,744	18,584	21,498	11,635	2,488
Grand Total	85,174	98,388	111,330	113,168	109,393

* Additional funds for administrative purposes for provinces that take up programs and aspects of the National Employment Service will be discussed separately.

** Maximum funds under new Labour Market Arrangements where provinces/territories fully take up May 30 labour market proposal.

Table 5
Projected Distribution of EI-Related Funding*
Under New Labour Market Arrangements, 1995-96 to 1999-00
(\$000s)

QUEBEC

Funds/Years	1995-96	1996-97	1997-98	1998-99	1999-00
Max. funds for provincially-managed programs**					
UIDU/Part II (Base)	355,655	344,343	339,464	340,959	342,304
Re-Investment	0	54,266	117,834	186,053	217,062
Total B Max. funds for provincially-managed programs	355,655	398,609	457,298	527,012	559,366
Income support under active measures					
Part I (Benefit Entitlements)	143,449	143,449	143,449	143,449	143,449
Pan-Canadian Responsibilities					
On-going	20,624	28,626	28,626	28,626	22,042
Transitional	0	18,256	44,783	31,692	0
Total B Pan-Canadian responsibilities	20,624	46,882	73,409	60,318	22,042
Grand Total	519,728	588,940	674,156	730,779	724,857

* Additional funds for administrative purposes for provinces that take up programs and aspects of the National Employment Service will be discussed separately.

** Maximum funds under new Labour Market Arrangements where provinces/territories fully take up May 30 labour market proposal.

Table 6
Projection of EI-Related Administrative Resources Under New Labour Market Arrangements
 1997-98 Onwards

Funds/Years	NFLD	NS	NB	PEI	QUE	ONT	MAN	SASK	ALTA	NWT	BC	YU K	TOTAL
Full-Time Equivalents	177	196	170	49	1,084	1,007	118	114	204	24	470	7	3,620
Operating Funds (\$000s)	7,080	8,195	7,240	2,115	46,269	44,612	4,759	4,681	7,712	1,534	17,292	329	151,818
Employee Benefits (\$000s)	1,115	1,254	1,142	338	7,286	6,721	735	717	1,202	224	2,819	52	23,605
<u>TOTAL FUNDS AVAILABLE</u>	8,195	9,449	8,382	2,453	53,555	51,333	5,494	5,398	8,914	1,758	20,111	381	175,423
Accommodation (\$000s) (see Note 4 below)	643	969	743	214	4,406	6,071	562	708	759	155	2,248	64	17,542

(Accommodation costs are not included in the *Total Funds Available* above. Actual amounts to be transferred will be determined at a later date.)

Notes:

1. A Full-Time Equivalent (FTE) is the unit of measurement for personnel resources and refers to the employment of one person for one year or the equivalent thereof. FTEs consist of regular time personnel, continuing and non-continuing, full-time, part-time, seasonal, term and/or casual employees. As per the May 30th proposal from Minister Young, the above FTE numbers include resources in support of EI Part II delivery and National Employment Services. In addition, FTEs also include a share of local and regional corporate management, and associated national headquarters support.
2. Operating funds include salary and non-salary resources in support of FTEs. The value of portable assets (i.e. furniture and personal computers) is excluded from these figures. Associated portable assets would be transferred with each FTE.
3. Employee Benefits include the federal government's costs of supporting: the Public Service Superannuation Plan; CPP/QPP employer payments; death benefits; health and dental insurance. The total cost of employee benefits represents 17% of salary costs.
4. Accommodation funds reflect an estimated average cost per FTE based on HRDC lease costs per province/territory in accordance with the downsizing plan. The actual funds to be made available to a province/territory are linked to the phase-out of existing lease agreements and will be made available at that time.