

Labour Market Development Agreements (LMDAs)

Under the LMDAs, the federal government transfers funds collected through EI to the provinces and territories. Provinces and territories in turn must spend these funds according to the criteria outlined in the *EI Act Part II*. EI Part II provides funding for “Employment Benefits” for individuals. It also provides funding for third party organizations to deliver “Support Measures.”

- Employment Benefits
 - *Skills Development* helps insured participants to obtain employment skills by giving them direct financial assistance that enables them to select, arrange for, and pay for their own training.
 - *Self-Employment* provides financial assistance and business planning advice to EI-eligible participants to help them start their own business. This financial assistance is intended to cover personal living expenses and other expenses during the initial stages of the business.
 - *Targeted Wage Subsidies* assist insured participants to obtain on-the-job work experience by providing employers with financial assistance toward the wages of participants. This benefit encourages employers to hire unemployed individuals whom they would not normally hire in the absence of a subsidy.
 - *Targeted Earnings Supplements* encourage individuals to accept employment by offering them financial incentives.
 - *Job Creation Partnerships* projects provide insured participants with opportunities to gain work experience that will lead to ongoing employment. Activities of the project help develop the community and the local economy.
- Support Measures
 - *Employment Assistance Services* provide funding to organizations to enable them to provide employment assistance to unemployed persons. The services provided may include individual counselling, action planning, job search skills, job-finding clubs, job placement services, and the provision of labour market information, case management, and follow-up..
 - *Labour Market Partnerships* encourage and support employers, employee and employer associations, and communities to improve their capacity for

dealing with human resource requirements and implementing labour force adjustments. This is the source of funding for many union Action Centres helping members laid off through closures (for example in the manufacturing and resource sectors).

- *Research and Innovation* supports activities that identify better ways of helping persons prepare for or keep employment and be productive participants in the labour force.

Background to the LMDAs

The LMDAs have their origins in the longstanding constitutional debate between the federal government and the provinces over which level of government has jurisdiction for training. The provinces, particularly Quebec, had long held that training and related employment programs and services belong under the broader jurisdictional umbrella of education. The federal government had maintained that training must be an area of shared responsibility.

Following the Quebec referendum of October 1995, Prime Minister Chretien announced that training would be handed over to the provinces. By the late 1990s, the federal government had “devolved” (transferred) much of the responsibility and funding for training to the provinces and territories through the new *Employment Insurance Act, 1996* and a series of LMDAs. The LMDAs were negotiated with each province and territory. Ontario was the last province to reach an agreement; its LMDA took effect on January 1, 2007. The federal government retained responsibility for inter-provincial labour mobility, national initiatives for youth, Aboriginal people, persons with disabilities, and other pan-Canadian efforts.

Prior to the 2007 federal budget, eight of these agreements were in the form of a *transfer* agreement under which the province/territory assumed responsibility for the design, delivery, and management of programs and services similar to the EI Employment Benefits and Support Measures. Five agreements were *co-managed*. In the co-managed agreements, Human Resources and Social Development Canada (HRSDC) continued to deliver the benefits and supports. However, this federal department shared responsibility for the design, management, and evaluation of these programs with provinces and territories. The five co-managed agreements were with Newfoundland and Labrador, Prince Edward Island, British Columbia, Yukon, and Nova Scotia (the latter was a “Strategic Partnership,” a variation of the co-management model).

The 2007 Federal Budget called for *all* provinces and territories to move towards the transfer model.

Provinces and territories must deliver the benefits and supports as they are defined by EI legislation. Labour’s input may help shape the ways in which provinces and territories integrate federal dollars into existing programming or re-configure programming.

General Concerns about LMDAs

- A tendency to “cream” or serve only the workers most likely to have a quick return to work (seen as the major indicator of success).
- The requirement for people who receive services to be EI Eligible. This excludes unemployed workers who do not qualify for EI and those who are employed.
- The reliance on service providers in the private and voluntary sectors. In many communities, Support Measures funding has been channelled to for-profit companies to provide employment services for unemployed workers. There is also a tendency to create competition among the various providers to the detriment of smaller target groups such as Francophones outside Quebec and rural clients.

Other Key Factors

As important as the LMDA negotiations are, there is also a need to address other key factors:

- Both levels of government will continue to play a major role in the overall labour force development system.
- An LMDA only affects a slice of the overall system. A labour force development system is comprised of far more. Other elements include the school and post-secondary education systems, immigration and settlement services, prior learning assessment services, training and other programs for employed workers. A wide range of industry, community, and government organizations fund and deliver programs and services.
- We can expect the focus on short-term results to continue to dominate, emphasizing a quick return to work whatever the job, over workers’ need for employment with decent pay, benefits, and working conditions.
- Regardless of who has responsibility, EI limitations apply. These limitations mean that only a small number of workers have access to LMDA-governed programs. The majority outside that sphere include many who fall outside any existing or proposed program.