

**Report on**  
**WORKSHOP ON BENCHMARKING AND CANADIAN FEDERALISM**  
**May 13, 2011**  
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Like their counterparts in other federations, central (federal) and unit (provincial) governments in Canada have had to balance the centripetal and centrifugal impulses for country-wide policy outcomes, on the one hand, and policy outcomes that respect provincial autonomy or at least promote flexibility, on the other. As in other federations, Canada has experimented with benchmarking as a tool to balance these impulses and to improve policy performance. Federal and provincial (and in some cases territorial) governments have, across a variety of policy sectors, negotiated intergovernmental agreements that identify outcomes, goals, targets or guidelines, and include obligations on the part of participating governments to report to the public on the achievement of these measures.<sup>1</sup> This form of benchmarking has emerged as a way of avoiding the hierarchical relationship between federal and provincial governments associated with the traditional conditional grant programs that characterized federal/provincial fiscal arrangements during the growth of the welfare state.

As part of its comparative project on "Benchmarking in Federal Systems,"<sup>2</sup> the Forum of Federations, in cooperation with the Mowat Centre, organized a day-long workshop to explore how benchmarking is employed in the Canadian federation. Presenters included both members of

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<sup>1</sup> Canada is comprised of ten provinces and three territories. Only the ten provinces have a federal relationship with the central government.

<sup>2</sup> The program "Benchmarking in Federal Systems" examines the experiences of Australia, Canada, Germany, Switzerland, the UK, the US and the European Union in introducing benchmarking and performance assessment mechanisms in sub-national public services. For more information see: <http://www.forumfed.org/en/global/thematic/benchmarking.php>.

the academic community and practitioners actively engaged in benchmarking exercises ([see program](#) ). Their presentations were inspired by the following broad questions:

- How do benchmarking arrangements affect intergovernmental relations and the functioning of the federal system?
- To what extent might benchmarking practices enhance federalism, and what form of benchmarking is most conducive to effective federal practice?
- What are the challenges in moving from performance monitoring to active policy learning?
- Does benchmarking actually lead to improved outcomes?

Workshop presentations and discussion were also meant to address the following specific questions:

- What broad lessons can we learn from international and Canadian experience of benchmarking in a federal context?
- How could federal-type benchmarking be applied in Canada, to what subjects and with what organizational approaches?
- How do benchmarking methods relate to public service reform and delivery in particular jurisdictions, and how do they best connect to the other instruments of public service improvement?
- Can benchmarking be applied to fiscal transfers? If so, in what ways?
- How can governments that choose to apply benchmarking optimize its value, facilitate the transfer of good practice and shorten the learning curve?

Alan Fenna of Curtin University (Australia) and the Forum of Federation’s lead expert on the “Benchmarking in Federal Systems” project, set the stage at the workshop, with a presentation based on the [Forum’s Occasional Paper No 5](#) which he authored. Based upon the subsequent presentations at the workshop, this report outlines the Canadian experience in three areas of public policy: health, education and labour market training.

## **Health Care**

Jeremy Veillard of the Canadian Institute for Health Information placed the federal/provincial benchmarking initiatives in the field of health care of the 2000s in historical context, presenting an overview of federal-provincial fiscal relations in the development of the modern health care system. Overall, Canadian health care is 70 percent publicly funded and 30

percent privately funded. Provinces have jurisdiction over almost all hospitals and exclusive responsibility for the delivery of most medical services. The *Constitution Act, 1867* assigns to provinces jurisdiction for most aspects of health care. As a result, there is a separate public health system for each of the 10 provinces and the three territories. The federal government initially fiscally supported approximately 50 percent of the provincial public health care systems through conditional grants. Over time, however, the federal government has reduced its fiscal commitment to about 20 percent of the cost of the provincial public systems, with the federal transfer taking the form of a per-capita, formula based, unconditional grant. Since 1984, the provinces have been bound by the *Canada Health Act*, which makes federal transfers conditional on five general principles: public administration, comprehensiveness, accessibility, universality and portability. However, the federal government has hesitated to enforce the Act and withhold health care funding from a province it perceives is violating the Act, opting in most cases to engage in a diplomatic dialogue with that province. It is against this backdrop that in 2000, 2003 and 2004 all first ministers agreed to three major accords to expand the federal fiscal commitment to health care. In lieu of reporting to the federal government on how these funds were spent (i.e. outputs), participating governments agreed to develop and use comparable indicators of health status, outcomes and system performance, and to report to *citizens*. For example, the 2004 Accord transferred \$41.3 billion to constituent governments in the federation over a 10-year period, with all provincial governments agreeing to establish and report on evidenced-based benchmarks for wait times for cardiac services, cancer treatment, sight restoration, diagnostic imaging and joint replacement surgery.

This agreement is particularly significant because it established the Canadian Institute for Health Information (CIHI), an agency funded by all participating governments and tasked with

consolidating the provincial data and reporting to the public. Veillard suggested that despite initial concerns about the cost of data collection and the unknown consequences of transparent, interprovincial comparison, provinces have effectively developed comparable indicators. Progress on improving wait times is now evident. Veillard also reported that provincial and federal governments are participating in other projects involving health indicators and that CIHI's work extends to engaging with individual hospitals to benchmark a variety of measures, including mortality rates, clinical effectiveness and financial performance in acute care hospitals.

Patrick Fafard of the University of Ottawa presented a different picture of the effectiveness of benchmarking in the health care field. He acknowledged that the role of CIHI has grown and noted that program changes and policy learning across jurisdictions have taken place. Nevertheless, he argued that benchmarking was not the driver of either of these. Few Canadians read CIHI reports, and, in general, Canadians and provincial legislators are not interested in interprovincial comparisons of healthcare. Rather, Fafard suggested that they are concerned about the quality of healthcare in towns and cities within their province. Thus, Fafard questioned one of the fundamental theoretical benefits of benchmarking (that it stimulates policy learning from "best practices") and one of the major assumptions upon which the competitive theory of benchmarking rests (that jurisdictions will modify their policies in an effort to remain in line with other jurisdictions whose policies citizens consider superior). In short, few citizens are *naming and shaming* laggard governments. Fafard further argued that the process of establishing benchmarks had not been motivated by a federal government seeking to shape a national vision for health care. In his view, governments have invested time, energy and political capital into a system of performance measures as a way to market Canada's publicly-funded health care model. With performance measures demonstrating that the system works well, is

being actively managed and improving, governments can make the case that the publicly-funded system need not be abandoned in favour of a privately-funded system. While not quite *gaming*, in the sense that governments manipulate results to indicate improvement where there is none, these marketing activities detract from the veracity of benchmarking exercises. They also point to the highly political context in which benchmarking takes place, despite its rhetorical appeal as a largely apolitical scientific exercise.

### **Labour Market**

In comparison to health care, the federal/provincial labour market agreements for active programs (such as job retraining) of the late 1990s and 2000s, are more numerous (there are 49), bilateral in nature (each is between one province and the federal government) and have a lower public profile. They also reflect a major shift away from federal responsibility for active labour market policy and an almost complete transfer to provinces of authority over the design and implementation of programs. While these agreements involve objectives, guidelines and indicators, they require provincial governments to report to the federal government on policy activity in exchange for federal funding. In this sense, they are more hierarchical and less transparent in nature than the health care benchmarking initiatives.

Donna Wood of the University of Victoria contrasted Canada's experience with benchmarking and labour market policy with that of the European Union (EU), concluding that Canada would benefit from adopting some of the characteristics associated with the Open Method of Coordination and the European Employment Strategy of 1997. Because employment was considered a key priority for EU-level action, EU member states have developed common objectives, guidelines and indicators, with EU-wide targets such as increasing the employment rate to 75 percent. In Canada, however, employment has not been considered a *collective*

national priority of governments. As a result, negotiations have been more ad hoc, bilateral, and with different objectives, guidelines and indicators attached to the 49 agreements. While individual provinces may have targets, no pan-Canadian targets exist. Not surprisingly, the Canadian agreements do not encourage interprovincial comparison, and there is no multilateral oversight of different jurisdictions or third party organizations that support the system of reporting. In the EU, collectively agreed-to targets are translated by each member state whose performance is extensively monitored. Public reports on member state activity are readily accessible, along with data comparing member state performance. The European Employment Observatory and the Mutual Learning Program are both third party organizations that facilitate pan-European coordination. In Canada dialogue between provinces and intergovernmental discussion is relatively ad hoc. Elected ministers from each jurisdiction rarely meet in person, although officials from different jurisdictions hold teleconferences from time to time. In the EU, intergovernmental relations are much more structured with regular meetings of ministers and officials, and obligatory consultation with social partners and civil society.

From this comparison, Wood concluded that benchmarking is in the nascent stages in the field of labour market policy in Canada, with little evidence of policy coherence or ability to assess program effectiveness. With provinces now primarily responsible for active labour market policy, she maintains that research analysis and comparisons of provinces are all the more important for mutual learning. She suggested that a more collegial style of benchmarking associated with the Open Method of Coordination could potentially emerge in Canada if fiscal transfers were de-coupled from the exercise of public reporting. A further lesson to be learned from the EU experience in this policy field is the importance of establishing governance

structures, such as a revitalized Forum of Labour Market Ministers, that are not driven by the federal government but are federal-provincial in nature.

## **Education**

In the field of education policy in Canada, many of these arrangements and structures are evident, and so too is a more collegial environment conducive to policy learning. Andrew Parkin of the Council of Ministers of Education (CMEC) detailed the history of this intergovernmental body, founded in 1967 and comprised of the ministers from provincial and territorial governments with responsibility for primary, secondary and post-secondary education. Unlike the healthcare or labour market cases, the federal government has no direct role in CMEC. With no central or federal authority in education, Canada stands out among federations. CMEC was founded to serve as “a forum to discuss policy issues; a mechanism through which to undertake activities, projects and initiatives in areas of common interest among the provinces; a means by which to consult and cooperate with national education organizations and the federal government; and an instrument to represent the education interests in the provinces and territories internationally.” Parkin explained that the priorities of the ministers, as expressed in their Learn Canada 2020 declaration of 2008, now include “support[ing] the implementation of national and international learning assessment programs and performance indicators for education systems”; and “creat[ing] comprehensive long term strategies to collect, analyze and disseminate nationally and internationally comparable data and research.” To that end, on behalf of provinces and territories, CMEC coordinates pan-Canadian and international assessments of grade school children, disseminates the results and facilitates discussion of results and learning among the provincial and territorial governments. These assessments include the OECD Program for International Student Assessment (PISA) of 15-year-old students in reading, math and

science; and the Progress in International Reading Literacy Study and the Pan Canadian Assessment Program which tests the achievement of grade eight students in mathematics, reading and science. Most recently, CMEC has become involved in the Programme for the International Assessment of Adult Competencies.

Parkin argued that the information produced through the various assessment programs was facilitating policy learning across provinces. Federal government direct scrutiny of provinces is not possible, but neither is it necessary. Each jurisdiction uses performance information coordinated through CMEC in conjunction with other assessment tools specific to each province to determine how to modify their provincial education systems. He concluded that public conversation and scrutiny of performance does indeed cross provincial boundaries.

Jennifer Wallner of the University of Regina presented a case of federal government engagement in a benchmarking initiative in the United States. She detailed the implementation of the 2001 No Child Left Behind (NCLB) Act, introduced by the George W. Bush administration as an ambitious attempt of the central government to hold schools accountable for their performance. The tradition of state and local control of education (the federal government was not seriously involved until the mid 1990s) and the absence of any explicit mention of education in the US Constitution have, however, limited the ability of the federal government to define educational standards for state governments. Wallner argued that No Child Left Behind and the federal education funds attached to it prompted changes in state policy outputs. However, as the NCLB framework permitted states to develop their own plans, targets and benchmarks for performance, there are now, in effect, 50 non-comparable accountability regimes – one for each state. Nevertheless, Wallner argued that third parties have been effective in benchmarking state education performance, with 48 states having agreed to adopt national curriculum standards.

Referring to access to education for students with disabilities, she also asserted that when there are fewer “players” involved, federal benchmarking initiatives in the United States’ education system have encountered greater success.

## **Conclusions**

Most of Canada’s experiments with federal/provincial benchmarking initiatives grew out of the federal government’s political inability to negotiate conditional grants with provinces in the aftermath of both significant cuts to major federal fiscal transfers to provinces in the mid-1990s and the near win for the “Yes” side in the 1995 Quebec referendum on sovereignty. In this context, provincial governments compellingly argued for greater policy autonomy and did so with the moral authority to determine social policies absent federal oversight. However, taken together, these cases reveal the significant diversity in benchmarking arrangements resulting from that period. In the case of health care, there have been clear, jointly (federal/provincial) established benchmarks for evaluating performance, significant transparency in provincial reporting and a third party (neither provincial, nor federal, but still part of government) established to monitor whether provinces are meeting those benchmarks. Reflecting on Alan Fenna’s typology of benchmarking arrangements (voluntary; independent or third party monitoring; central government coercive monitoring; collegial monitoring involving the central government) the health care case has a clear role for the central government, with the spirit of collegial, as opposed to coercive or independent, monitoring at play. Labour market policy is a more coercive arrangement. Benchmarks have been negotiated bilaterally, provinces report to the federal government rather than publicly, and comparability of data is impossible for third parties and, indeed, for governments themselves. The one case of benchmarking examined here that predates the 1990s is the Canadian Council of Ministers of Education, which represents what Fenna

calls a “benchmarking club” with provincial governments voluntarily entering into a benchmarking agreement, without the federal government acting as an agent.

It is interesting to note that government compliance with benchmarking initiatives is most successful in the two cases where there is no central government involved in the process. In the open method of coordination of labour market policy in the EU, policy goals are established through multilateral negotiations involving all member states. There is no central European government at the negotiating table. There is also no seat for the federal government in the Council of Ministers of Education of Canada.

But is one arrangement more amenable than another to transforming data aggregation into policy learning? From the Canadian cases considered here, one might conclude that voluntary benchmarking among constituent units (the education example) is the most likely environment to promote policy learning and that coercive monitoring whereby the central government drives performance improvement through sanctions (labour market policy) is least likely to promote policy learning. This conclusion is also supported by what Donna Wood described as the relatively successful policy learning in the cooperative member-state-driven case of the Open Method of Coordination and the EU’s labour market policy; as well as Jennifer Wallner’s description of the relatively unsuccessful case of policy learning in the coercive No Child Left Behind policy of the central government of the United States.

But this conclusion is probably premature and perhaps places too much emphasis on the power of institutional arrangements to generate certain behaviours among governments. There are many variables at play that cannot be controlled for in such a small sample of benchmarking exercises. To name a few, these include different federal and provincial constitutional jurisdictions; the degree to which the public supports a national vision for policy in a specific

area; and the history of federal and provincial cooperation and competition in the policy field. Second, absent political will, institutions that promote specific processes of learning might not achieve their desired goals, no matter how carefully conceived. In the discussion on labour market policy, the point was raised that Canada has not established common goals and lacks the EU infrastructure to promote policy learning because there is no perception among provincial governments that the existing system needs fixing. Similarly, one conclusion arising from the discussion on health care arrangements was that the future of CIHI depended on the federal government's continued will to participate. The recently elected majority Conservative government has signaled its preference for a more classical interpretation of federal and provincial areas of constitutional authority that minimizes federal/provincial entanglement. As a result, federal participation – and the political momentum behind CIHI – should not be taken for granted. Finally, in the education discussion, it became clear that provincial governments were motivated to form CMEC as a way to protect policy “space” from federal government intrusion. Without that motivation, CMEC would not have the interprovincial coordinating role it does today.

It might be more prudent to conclude that with political incentive for federal-provincial or interprovincial collaboration, less-coercive benchmarking mechanisms that do not tie learning to monitoring by or accountability to the central order of government can shorten the learning curve and facilitate the transfer of good practices to other jurisdictions.