

Alberta's Role in Enhancing Interprovincial Collaboration

Issue Statement

Alberta's economic growth and competitiveness are hindered by interprovincial trade barriers and inconsistencies in labour mobility agreements. These barriers create inefficiencies in supply chains, increase costs for businesses, and limit opportunities for workers to move freely across provinces. By promoting stronger interprovincial partnerships, Alberta can foster a more seamless and competitive economy, ensuring businesses and workers benefit from a unified national market.

Background

Canada's Constitution Act of 1867 emphasizes the importance of free trade among provinces, yet significant barriers persist. Studies have shown that interprovincial trade barriers cost the Canadian economy billions annually. In Alberta, businesses face challenges such as differing regulatory standards, inconsistent transportation rules, and fragmented labour credential recognition. These hurdles impact industries ranging from agriculture and manufacturing to construction and technology.

Canada's federal system, while a defining feature, often limits the country's ability to fully maximize and evenly distribute economic benefits, particularly due to interprovincial trade restrictions. Despite advancements in international trade since 1989, internal trade has lagged, with significant barriers persisting. The Agreement on Internal Trade (AIT) of 1995 and its successor, the Canadian Free Trade Agreement (CFTA) of 2017, made progress by adopting a more inclusive "negative list" approach, yet substantial non-tariff barriers remain. These barriers—ranging from prohibitive restrictions on specific goods, such as alcohol, to technical and regulatory differences—hamper labour mobility, stifle competition, and limit productivity. The economic cost is significant, with estimates suggesting that fully liberalizing internal trade could boost Canada's GDP by 4%, or \$92 billion annually, equivalent to major federal benefit expenditures in 2018-2019.¹

Labour mobility is critical issue. Workers with credentials in one province often face delays and additional costs to have their qualifications recognized elsewhere. This misalignment exacerbates labour shortages, particularly in high-demand sectors like healthcare, construction, and engineering. Addressing these issues requires Alberta to take a leadership role in advocating for greater interprovincial collaboration. The Montreal Economic Institute criticized Alberta's stance on labour mobility, highlighting that the province has the highest number of professional exceptions under the Canadian Free Trade Agreement, limiting workers' ability to transfer credentials without significant additional requirements. While Alberta recently enacted the Labour Mobility Act, streamlining approval processes for over 100 professions, the MEI noted that gaps remain, particularly in health-related sectors facing critical labour shortages, such as nurses, paramedics, and dental hygienists. The institute emphasized the need for Alberta to eliminate exceptions and fully utilize its growing workforce, especially as Canadians increasingly migrate to the province.²

¹ <https://journalhosting.ucalgary.ca/index.php/sppp/article/download/72793/55777/228204>

² <https://calgaryherald.com/business/alberta-interprovincial-trade-labour-mobility-montreal-economic-institute-ranking>

In 2024, 88% of small businesses in Canada view eliminating interprovincial trade barriers as a top priority, citing significant challenges in navigating regulatory differences that hinder growth and expansion. Half of businesses report that these barriers make it easier to operate in the U.S. than within Canada. Despite the Canadian Free Trade Agreement (CFTA), progress has been slow, with regulatory hurdles, fees, and paperwork continuing to impede the free flow of goods, services, and labour. These barriers exacerbate Canada's productivity crisis, which ranks second to last among G7 countries, and worsen economic challenges like high business costs, inflation, labour shortages, and sluggish growth. Removing these barriers could offer businesses and consumers increased choices, more efficient supply chains, lower prices, and improved labour mobility. Economic estimates suggest that eliminating internal trade barriers could boost Canada's economy by \$200 billion annually, equivalent to \$5,100 per person.

Alberta has made significant strides in reducing interprovincial trade and labour mobility barriers, building on agreements like the Canadian Free Trade Agreement (CFTA) and the New West Partnership Trade Agreement (NWPTA). However, varying provincial commitments and gaps in implementation have limited the full impact of these frameworks. Alberta, with its strong foundation, is well-positioned to drive further progress by leveraging federal initiatives such as the Canadian Internal Trade Data and Information Hub and the removal of 14 CFTA exceptions.

Notably, Alberta's B+ grade (8.6) in this year's interprovincial cooperation report card published by Canadian Federation of Independent Business highlights its leadership, second only to Manitoba. Alberta can look to innovative measures from other provinces, like Nova Scotia's portable registration model for health care professionals, to enhance its labour mobility strategies. Continued engagement with tools like the Regulatory Reconciliation and Cooperation Table's (RCT) online portal for addressing regulatory barriers offers Alberta an opportunity to further align policies and strengthen its economic integration within Canada.³

Recommendations

1. Align standards and regulations with other provinces in transportation, agriculture, and construction to reduce inefficiencies. Use agreements like the CFTA and NWPTA to enforce trade commitments and promote mutual recognition of goods and services.
2. Streamline credential recognition with provinces to create a unified system, reducing delays and costs for workers. This will improve workforce mobility and address sectoral labour shortages.

³ <https://www.cfib-fcei.ca/hubfs/research/reports/2024/2024-07-internal-trade-report-card-2024-en.pdf>