



# **Survival-of-the-Fittest Employment Policy**

*by*

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***Policy barriers prevent employment***

The primary purpose of this report is to identify the policy barriers that make it difficult or impossible for unemployed Canadians to participate in training or in the paid labour market. A related purpose is to discuss the barriers that community organizations face in trying to create job opportunities for the unemployed. The study does not explore remedies at great length. The Caledon Institute will continue to work in this area, putting forward both short- and long-term options for reform.

This paper was undertaken at the request of the Partners for Jobs Working Group spearheaded by the Regional Municipality of Ottawa-Carleton (henceforth referred to as the 'Region'). The barriers discussed in the provincial and local programs pertain primarily to Ontario. But because the concerns were identified through a national survey, the general themes are applicable across Canada.

***Three sources of information***

This report is based on three sources of information. First, the laws and policies that comprise the framework of the individual programs were examined. Second, the study looked at relevant reports prepared by national, provincial and local organizations. Finally, interviews were held with 57 individuals throughout the country. Specific names have been withheld for reasons of confidentiality and at the request of most respondents.

The interviews were conducted on the basis of a questionnaire sent to respondents in advance of the discussion (Appendix A). These individuals include welfare recipients, students, program caseworkers and administrators, researchers, and people involved in community economic development.

Among those interviewed were members of the Partners for Jobs Working Group, members of a national learning consortium coordinated by the Caledon Institute and representatives from the Canadian CED (Community Economic Development) Network. This range of respondents affords a sense of the barriers faced by both the program participants and the service providers trying to help the unemployed gain access to training or employment.

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It should be noted that it is virtually impossible to carry out a competent study on policy barriers without conducting interviews to learn about personal experiences. At the same time, every individual has a unique story. There is virtually no end to the number of people who might be interviewed and no limit to the range of potential barriers experienced by different individuals that might be found in any system. This study makes no claim to be a 'scientific' national survey based on representative sampling. But it does cull many general themes that build upon, yet reflect far more, than the unique experiences of single individuals.

### ***Findings are relevant to economic development***

The purpose of this study is to identify the barriers that the unemployed face in their attempts to enter the labour market. The immediate goal is to improve the various programs that comprise the employment system to enable jobless individuals to get access to training or jobs.

But in identifying the barriers in specific programs, a picture emerged of the employment 'system' intended to help jobless persons find training or work. This picture should be of great interest to the Region, which currently is engaged in an exercise built upon the concept of 'cluster-based economic development.' This concept is predicated on the assumption that healthy regional economies are composed of clusters of economic activity supported through various forms of infrastructure or 'foundations' [Economic Development Administration 1997: 1].

The availability of a skilled, trained pool of labour represents one of the key foundations that support the economic structure. The findings of this study are of concern because they show clearly that the human resources foundation so vital to sustain healthy economic clusters is very shaky indeed.

### ***Barriers in content and context***

This report presents key barriers that both individuals and community organizations face with respect to various laws, policies and programs. But the findings move beyond the barriers embedded in the rules within individual programs. They paint a picture of a broad policy context which creates problems that are different from – and perhaps more serious than – its constituent parts. The problems are due both to general *context* and specific *content*.

The contextual barriers are rooted in the employment 'system' – a term that implies far more coherence than the actual reality. There is no coordinated approach to training or employment

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preparation. The ‘system’ – such as it is – consists of an array of disjointed pieces. Many barriers arise not from ‘what is’ but from ‘what is not’ – i.e., the gaps in current arrangements.

The disjointedness can be attributed largely to philosophical shifts that underlie major income security programs – notably federal Employment Insurance and provincial Ontario Works – and their associated employment supports. These philosophical shifts effectively have spawned a ‘do-it-yourself’ approach to training.

Prospective workers must develop their employment plans and seek out a training provider from the private market. The unemployed are basically on their own. They may or may not be eligible for financial assistance to offset the costs of this training. Those who do qualify for some assistance often find the amounts inadequate to meet market rates for training.

This new self-directed approach has been reinforced by a strong market orientation within the employment support dimensions of both Employment Insurance and Ontario Works. Most employment services once delivered by governments have been contracted out to the private sector.

This policy context is problematic not only because it leaves out many people who require guidance and additional support. It is also a problem in a knowledge-based economy in which well-trained human resources are the key to success for both workers and employers. A haphazard, uncoordinated patchwork quilt will not create the kind of targeted, high-quality skills required in a rapidly evolving knowledge economy.

No one, neither employees nor employers, really wins in a survival-of-the-fittest world – even those who may appear to be fit for the race.

### ***Components of the employment ‘system’***

This section sets out the major elements of the employment system which, in turn, is linked intrinsically to programs of income support. This section is not intended to be an exhaustive description (e.g., it does not include federal and provincial student job programs). Rather, its purpose is to sketch out the key components that comprise the employment system in Ontario: Employment Insurance (EI), federal-provincial Labour Market Agreements, Ontario training, student loans, disability programs and Ontario Works (OW).

It also should be noted that this report does not include a lengthy description of Ontario Works (commonly known as ‘welfare’). The original intent of this study was to focus on the barriers in programs other than welfare – whose problems have been well documented elsewhere

[Project Team 1999; Workfare Watch 1999; National Council of Welfare 1987]. But Ontario Works was, in fact, included because of the wide-ranging and serious concerns that so many informants identified with respect to this program.

The programs that comprise the employment ‘system’ were characterized by one respondent as a “food chain.” A program’s position on the food chain determines the level of income benefits and type of employment supports. The higher the program on the ladder, the more generous the associated work measures. At the top of the hierarchy is Employment Insurance.

The last-resort programs on the lowest rungs of the ladder provide meagre benefits and few associated supports. They also carry a heavy burden of stigma. But at least they do make available some assistance. Unemployed persons who do not qualify for any of these programs, such as the working poor, newcomers to Canada or those who have been out of the labour market for some time but still have some assets, are not on the food chain at all. They basically must fend for themselves.

Several respondents asked what purpose it served to have so many categories of unemployed. They believed that one-stop shopping, as represented by the Lincoln Heights Employment Resource Centre in Ottawa, is an exemplary model. It provides service to all the unemployed, whether or not they are affiliated with a particular employment program.

### *i. Employment Insurance*

Unemployment Insurance (UI) is one of Canada’s oldest social programs. It was introduced in 1940 in response to the despair of the Depression. UI was a national program intended to provide short-term assistance for temporary spells of unemployment.

Over the years, successive federal governments expanded UI to eventually cover virtually the entire workforce (with the prominent exception of the self-employed) and to provide benefits for special purposes, such as sickness and parental leave. It allowed extended benefits for workers in regions of very high unemployment. After the last major expansion of 1971, the federal government began to take the first steps to rein in its scope. The next 25 years would see various changes that whittled away at the program by making it harder to qualify for assistance and by reducing the amount and duration of benefits.

A major turning point came in 1995 when the federal government introduced a new philosophy to underpin Unemployment Insurance. Ottawa announced the Employment Insurance program to take effect July 1996. It replaced the former Unemployment Insurance Act and the National Training Act. The name change was intended to signal a fundamental philosophical shift –

from 'passive' dependence to 'active' employment programs. The twin objectives of the overhaul were to keep the many unemployed off the program and to encourage greater workforce participation through skills training and upgrading.

The new Employment Insurance Act provides for two types of benefits: income benefits and employment benefits. *Income benefits* pay temporary income support for income claimants while they look for work. The new Act changed three key levers on the income side of the equation – eligibility, benefit levels and duration of benefits – supposedly to 'strengthen incentives to work.'

The changes will save \$2 billion from the annual cost of EI by 2001. An estimated \$800 million that will be saved through the changes to income benefits is being directed toward *employment benefits*. These include a package of measures – wage subsidies, earnings supplements, self-employment assistance, job creation partnerships, and skills loans and grants – intended to help workers prepare for and find a job.

In addition, a three-year \$300 million Transitional Jobs Fund was established in 1996-97 to create new jobs in areas of high unemployment and to ease the transition from UI to EI. The Fund was paid for through general revenues as opposed to EI employer and employee premiums that support the income and employment components of the program.

The federal government also offers a National Employment Service to assist jobless Canadians find work. The service takes the form of a self-help 'kiosk' or computer terminals located in employment resource centres throughout the country. A comprehensive automated job market information system (Job Bank) and labour market exchange service (Electronic Labour Exchange) facilitate the job search. Assisted job search, including group information services and job coaching, also is available to help the unemployed find work as quickly as possible.

The National Employment Service operates on the assumption that most jobless Canadians require minimal assistance to get back to work. They are provided with information on labour market needs and vacancies throughout the country. But basically, they are expected to conduct job searches on their own. Those who require more direct or extensive assistance to get back to work are directed toward 'active' measures, earlier described as 'employment benefits.' These services are to be delivered by provinces under the new federal-provincial Labour Market Agreements.

## ***ii. Labour Market Agreements***

At about the same time as UI was being fundamentally restructured, Ottawa was engaged in discussions to devolve labour market training to the provinces. On May 30, 1996, the federal gov-

ernment presented the provinces and territories with a Labour Market Development Proposal that offered them an opportunity to assume greater responsibility for the design and delivery of the active employment measures outlined in the Employment Insurance Act. These measures include:

- targeted wage subsidies – i.e., assistance to employers to encourage them to hire unemployed workers and provide on-the-job experience
- self-employment assistance – i.e., financial support and assistance in business planning
- partnerships with provinces, the private sector and communities to create jobs in areas of high unemployment
- targeted earnings supplements to provide temporary incentives for individuals to take available jobs. These supplements are aimed at making work ‘pay’ by increasing the incomes of individuals who otherwise would find it difficult to take a lower-paying job.
- skills loans and grants to assist unemployed workers acquire employment-related skills based on their own choice rather than government directed programs. Grants and loans are based on need and may be provided for training costs including tuition fees, books, child care, transportation and living costs.

These agreements allow each province to develop labour market programs that reflect regional priorities and needs. (Ontario is the only province that has not yet signed a Labour Market Agreement with the federal government.) Staff and financial resources are transferred to the provinces through the federal Human Resources Investment Fund (HRIF).

The programs supported under these agreements are intended only for individuals who are active EI claimants; had a benefit period that ended within the previous 36 months; or had a benefit period established within the previous 60 months and were paid parental or maternity benefits, subsequently withdrew from the labour market to care for one or more newborn or adopted children, and wish to reenter the labour market.

Claimants qualify for one of these active employment benefits by developing individual action plans. Under the Transitional Skills Grants program that operates in Ontario and is coordinated by Human Resources Development Canada, a return-to-work action plan is developed in conjunction with an employment counsellor. Grants are provided to cover some of the costs of training and skill development geared to the individual’s identified needs and interests.

Finally, Local Training Boards are responsible for the planning and delivery of training programs. Up to 25 new boards are being created in Ontario sponsored by the provincial Ministry of

Training, Colleges and Universities; Human Resources Development Canada; and the (now-defunct) Canadian Labour Force Development Board. These boards bring together representatives from local groups to play a leadership role and work with governments at all levels to improve the community training and adjustment system.

### ***iii. Ontario Training***

The Ontario Ministry of Training, Colleges and Universities supports a range of training initiatives using both EI and provincial funds. These programs are delivered through employment resource centres, provincial offices, community colleges and nonprofit organizations. Aboriginal clients can access training services through a system of more than 110 Ontario community delivery sites located in community colleges and nonprofit organizations.

*Apprenticeship* is an important component of training. Apprenticeship programs provide hands-on training in a skilled trade in one of four sectors: motive power, construction, service and industrial. Training for trades in Ontario is regulated under two pieces of legislation. The new Apprenticeship and Certification Act was proclaimed on January 1, 2000. The Act governs all skilled trades in the industrial, motive power and service sectors. The Trades Qualification and Apprenticeship Act is still in effect for the construction sector skilled trades. There are two important distinctions between these Acts.

First, the Apprenticeship and Certification Act specifies that Ontario Grade 12 or its equivalent is the academic standard required to enter into an apprenticeship unless otherwise recommended by the Industry Committee for that trade. The Industry Committees will be making their recommendations on this issue prior to June 30, 2000. Under the Trades Qualification and Apprenticeship Act, Ontario Grade 10 will continue to be the academic standard for most trades.

The second difference is that under the Trades Qualification and Apprenticeship Act, apprentices sign a Contract of Apprenticeship with an employer. The on-the-job training will take place only with that employer. Under the Apprenticeship and Certification Act, by contrast, apprentices sign a Training Agreement with a sponsor. The sponsor could be the apprentice's employer and trainer but that is not necessary. The sponsor's responsibility is to ensure that the apprentice receives the appropriate training – which may be acquired with multiple trainers or employers at multiple work sites.

The *Ontario Youth Apprenticeship Program* offers secondary school students the opportunity to train as registered apprentices while enrolled in school. The *Loans for Tools* program offers new apprentices loans to help them buy required equipment.



The *Ontario Access to Professions and Trades Program* is intended for immigrants with professional trade credentials from their home country. In order to work in their field, immigrants must have their qualifications recognized and certified by an occupational regulatory body. This process includes an assessment of academic credentials to Ontario standards, knowledge and skills that pertain to the specific occupation and language proficiency. (It should be noted that on March 21, 2000, Ontario announced the creation of a new service to assess the academic credentials of immigrant job seekers and facilitate their entry into the workforce.)

*Job Connect* is a provincially run program that helps unemployed persons, particularly young people, gain the knowledge and skills required for employment. Services include information and referral, employment planning and preparation, and on-the-job training. Participants over age 24 must be receiving welfare to be eligible for the services under this program.

*Literacy and Basic Skills* programs enable participants to prepare for employment upgrading. These are intended primarily for persons age 19 and over, who are out of school and need help with reading, writing and basic math. Support for literacy and basic skills programs are delivered as well through 29 Aboriginal agencies in consultation with Native literacy organizations.

Ontario also provides funds directly to employers and to industrial sectors. The 1998 and 1999 provincial Budgets, for example, directed a total \$130 million towards a new Strategic Skills Initiative to promote skill development in designated sectors. Problems with respect to direct supports for employers and sectors are not considered in this report.

#### *iv. Student Loans*

The Ontario Student Assistance Program (OSAP) provides financial aid to lower-income students who wish to pursue postsecondary education at a college or university. The program is intended to promote equality of opportunity to postsecondary studies by providing direct financial assistance for educational costs (e.g., tuition fees, books and supplies) and basic living expenses. It supplements but does not replace the financial resources that students and their families are expected to contribute.

The administration of OSAP recently was harmonized with the federal Canada Student Loans Program under the 1999 *Canada-Ontario Agreement on the Harmonization of Federal and Provincial Student Loan Programs*. Under the agreement, Ottawa retains funding responsibility for the Canada Student Loans Program. Ontario administers the program on behalf of the federal government. The province is responsible for determining eligibility, assessing financial need, issuing loan certificates and designating the institutions considered eligible for OSAP.

OSAP typically will first determine student eligibility for federal aid – i.e., a millennium scholarship or a study grant. The Canada Millennium Scholarship Foundation provides awards for students pursuing full-time undergraduate studies at public and private postsecondary institutions. These awards are based on financial need and merit. Ottawa also funds four study grant programs for students with dependents, persons with disabilities, high-need part-time students and women in doctoral studies. While both the awards and grants need not be repaid, they are deemed to be taxable income.

Once federal eligibility is determined, Ontario provides any remaining assistance for which a given student might be eligible. OSAP is essentially a second payor but front-line administrator.

#### ***v. Disability Programs***

Further down the food chain are programs that provide income assistance and employment supports for persons with disabilities. Persons injured through criminal actions or car accidents may be eligible for court-related awards or payments from provincial automobile insurance schemes, respectively. Benefits and retraining may be available under provincial workers' compensation as a result of a work-related accident or injury. The disability component of the Canada Pension Plan is intended for persons with severe and prolonged disabilities. Those who do not qualify under these programs or who require additional assistance may be eligible under the Ontario Disability Support Program (ODSP).

ODSP provides income benefits to persons over age 18 who meet the program's definition of disability and who are in financial need. ODSP recipients also may be eligible to receive prescription drugs, dental services, eyeglasses, hearing aids, benefits for special diets and special necessities, such as surgical dressings and wheelchair batteries.

Recipients may qualify for ODSP Employment Supports intended to help persons with disabilities find and maintain employment. The disability must be continuous or recurrent and expected to last for one year or more. It must result in substantial restrictions in functioning in the community or workplace. Employment Supports provides a range of assistance including technical aids and equipment, and interpreter services. Transportation allowances may be paid while clients are training for a job.

Applicants must complete an application form, verification of disability form and an employment planning guide. Approved candidates meet with an Employment Supports Specialist to review their employment plan. The plan must identify the employment goal, the disability-related barriers and a list of required goods and services. Once an employment plan has been approved, candidates

must complete an Employment Supports Funding Agreement which enables them to purchase the required goods and services.

*vi. Ontario Works*

At the bottom of the food chain is Ontario Works – the self-proclaimed social program of last resort. It provides assistance when individuals have no other source of support and their needs exceed available resources.

The unemployed first must try to apply for Employment Insurance, provincial training student loans, various disability programs if they have disabilities and, of course, their own and their family's assets. Applicants may be ineligible for Ontario Works if they have these sources of income, or may be cut off if these become available. There is an eligibility process in place and applicants must qualify on the basis of their liquid and fixed assets, their levels of income and other provincial rules.

With respect to the latter, for example, applicants or recipients who refuse employment or who leave a job without cause or are dismissed with cause will be denied assistance or will receive a reduced allowance for a three-month period from the first refusal, termination or resignation from employment. In the case of a second quit/fire occurrence, the loss or reduction of benefits is applicable for a six-month period.

If accepted to Ontario Works, participants are relegated into one of three streams or 'pathways' depending upon their needs and level of skill: employment support, community placement and employment placement (which includes self-employment).

The *employment support* stream is separate and distinct from Employment Supports under ODSP. Ontario Works *employment support* consists of several components. Job search may be carried out independently or with assistance such as links to job bank data or résumé writing skills. Referral to basic education is intended for participants who lack basic reading, writing or speaking skills. Referrals also may be made to job-specific training.

*Community placement* requires volunteer work to be performed in nonprofit organizations. The provincial government recently has set targets for this stream; in 2000-2001, at least 22.5 percent of Ontario Works participants with mandatory employment obligations – or 5,216 individuals in Ottawa-Carleton – must participate in a community placement. The provincial requirement increases to 30 percent of cases with mandatory employment obligations by 2001-2002.

*Employment placement* agencies help participants find jobs. Limited wage and training subsidies can be (but are not often) paid to employers. Self-employment provides guidance and instruction to help participants set up their own businesses.

### ***Gaps in the Policy Context***

#### ***i. No coordinated approach***

Each of the programs comprising the food chain is funded differently. Employment Insurance is financed through employer and employee premiums and the Canada Pension Plan euphemistically calls its premiums ‘contributions,’ which are levied on employees, the self-employed and employers. Workers’ compensation is paid for through employer premiums. Student loans and ODSP are supported through general government revenues and Ontario Works is financed partially through the local property tax base. In addition to a unique funding base, each program has distinct goals, eligibility criteria and activities.

This uncoordinated grouping of programs can be very confusing. Several respondents noted: “Many people don’t know where to start or where to go.” This concern was echoed at all levels of the food chain. Even service providers themselves are often unaware of the range of services. One respondent admitted: “I’m not always aware of some of the services that I hear about from my clients. This is a real problem because I am a part of the very system that is supposed to be providing supports to such individuals.”

Respondents identified a number of administrative problems related to the lack of an overall coherent plan. Every government level and program has a different set of reporting requirements, creating a serious burden for service providers: “We have to make monthly reports – statistical and financial. Do you know how many reporting hoops you have to jump through?” Moreover, most funders want original receipts and will not accept photocopied invoices. Respondents asked how original receipts could be sent to several different departments. And for established organizations with boards and auditors, such stringent requirements as monthly reports make no sense.

Reporting requirements also have resulted in two parallel systems for the federal and provincial governments and monthly reporting for agencies delivering French as a Second Language programs. One organization had to add a half-time position to the administrative staff just to cope with the numerous and varied reports. The resources directed towards administration could have been far better spent on service delivery.

*ii. No coherent progression*

While there is a hierarchy of programs in a vertical sense, it is far from a ladder built on a logical progression. There is no service continuum that meets the wide range of needs of people who are unemployed. Neither is there a systematic process that enables individuals to move from one step to another as they progress through different levels.

The ‘system’ does not work to help build skills and capacities regardless of where individuals are positioned on the ladder. Rather, the primary purpose of all programs apparently is to get people off the ladder – as quickly as possible.

There is a need for a progression of options with appropriate steppingstones to underpin progress on the many, varied and sometimes long paths towards self-sufficiency. And there may be some people who never will be financially self-sufficient. A coordinated employment approach to training and employment is especially important for individuals who experience problems with basic literacy and may be unable to bring together all the complex pieces of the system on their own.

Moreover, unemployment can be “very scary and overwhelming.” For some people, especially those with literacy problems or language needs, very small steps to labour market integration are required. But there is no logical progression among the individual pieces of the ‘system’ which appear to be just that – single parts that form no coherent pattern. There is no overall approach to training or employability to ensure the presence of all the essential parts.

One respondent described the problem as follows: “Funders like to spread their money around in a shotgun approach. Yet the people they are working with have low education, lack work experience and have family problems, such as violence and addiction. Going from one 8-12 week program to the next does not help them put together the flow of a life. Parenting skills, work skills, budgeting skills, technical training and work experience are all available through different programs in different places with no bridges from one to the next. Most people need at least two to four months of stabilization to deal with all their issues.”

This piecemeal approach to employment has been exacerbated by the fact that many services which used to be delivered by government departments have been contracted out to private companies or groups. In some communities, there are contracts with one organization for training, another group for counselling and a third body for follow-up. As one respondent noted wryly: “This arrangement does not breed success.”

*iii. Lack of national vision*

The policy framework that gives rise to the disparate range of activity earlier described is embodied in the Labour Market Agreements recently signed by the federal and all provincial governments, except Ontario. The province claims that it is not getting its fair share of the funds relative to its population. Ottawa apparently is concerned that Ontario will privatize the entire training system and contract out the training process to private third-party providers [Ibbitson 1999].

The agreements allow a portion of EI premiums to be turned over to the provinces in respect of employment benefits. In short, Ottawa now sends out EI cheques for income support to (a shrinking pool of) eligible workers. The provinces, by contrast, have the authority under the Labour Market Agreements to administer the employment benefits set out under Part 2 of the EI Act: wage subsidies, earnings supplements, self-employment assistance, job creation partnerships, and skills loans and grants.

The Labour Market Agreements focus primarily upon the types of activities that provinces may undertake. But the agreements are a purely instrumental document. They provide no overall vision for the development of an employment system in Canada. They set out no framework for how this system might evolve. They simply hand over administrative authority for employment measures from one level of government to another.

Moreover, the agreements say nothing as to how these activities should be carried out. They contain no enforceable guarantees of equitable access to training, prohibitions against commercialization, bans on needs-testing of workers who require training grants or an appeal procedure for claimants. Since there are no national or pan-Canadian standards embedded in these agreements, there are different rules and interpretations in virtually every regional and local employment office [Canadian Auto Workers 1998].

In some cases, local employment offices are partnering with (i.e., 'contracting out to') private trainers and temporary help agencies. Contracts with private companies and other third parties reportedly set minimal conditions, typically the number of people to be seen monthly and a specified placement target. There are no stipulations regarding standard of service or the quality of job placement. This lack of standards is a serious problem in that third-party deliverers are deciding who gets access to training and associated funds.

*iv. The ‘creaming’ effect*

Part 2 of the EI Act requires that employment benefits run by the provinces respect certain guidelines. The programs must be “results based” and help individuals obtain or keep employment. They must reduce “reliance” on government assistance. A framework must be put into place to “evaluate results.” The agreements must encourage individuals to take personal responsibility for identifying their employment needs and, if appropriate, share the cost of assistance.

The only real standard or benchmark that programs apparently must meet is that they must deliver “positive results” (read “numbers employed”). The performance of local employment offices is assessed on the basis of the money they save the EI account. As a consequence, more resources are directed towards individuals with few employment barriers and who require relatively little support. The employment system is effectively involved in the process of ‘creaming’ – i.e., focussing efforts upon those considered work-ready and most likely to succeed in the workforce.

In short, the employment system can be characterized as a disparate set of private contractors paid on a fee-for-service basis to deliver ‘positive’ results. The real results? The selection of the ‘fittest’ candidates – i.e., those most likely to find paid employment very quickly. There is increased reliance on community partners and third-party delivery agents and a greater push for client self-sufficiency and self-help through the use of employment resource centres, new technologies and the ‘return to work action plan.’

At the same time, there is a growing gap in services for persons not eligible for Employment Insurance. Certain groups – notably the long-term unemployed, older workers, young people and persons with disabilities – are having greater difficulty meeting the tightened eligibility criteria. New entrants to the labour market and the long-term unemployed are less eligible than three to four years ago for active labour market programs.

A recent report on poverty captures the problem in a graphic way. The Urban Core Support Network in Saint John describes poverty as a mineshaft in which people are trapped at different levels by a cave-in [1998]. Close to the surface are persons who need a helping hand to get out; these are the marginally poor. They may be low-wage workers or the recently unemployed with some previous work experience. Their needs can be met through supports such as transportation and child care. They can be helped with relatively minimal assistance.

Trapped in the rubble but still able to see are those in the middle of the mineshaft. They may have been out of the workforce for some time or never in it altogether. They may be young people (recent graduates or school dropouts), persons with disabilities, older workers or women who have stayed home to care for their children. These individuals may require some supports as well as training or skills upgrading.



“At the very bottom of the shaft, where the sunlight of hope rarely penetrates, are the long-term dependent poor who have not worked for a long time or may have never been employed. They may not even be aware that there is a world above ground to which they might aspire” [Urban Core Support Network 1998: 8].

It would not be incorrect to conclude that the current employment system is geared towards those near the surface of the mineshaft. The problem stems from several factors – one of which is attitudinal.

The people in the middle and the bottom of the mineshaft typically are seen as responsible for their own unemployment. There is a blame-the-poor mentality that appears more prevalent – or at least more public – than in the past. The responsibility lies squarely on the shoulders of the Ontario government, in particular, that has actively perpetrated negative views of welfare recipients. The stereotypes encourage the response that poor people should just ‘smarten up’ and ‘pull themselves up by their bootstraps.’ The Urban Core Support Network points out the great irony: Many of these people have no boots. They have no supports on which to draw – no resources of their own upon which to rely.

There are other reasons that explain the predominant focus on those near the surface of the mineshaft. Philosophical changes – particularly those that underpin the reform of Employment Insurance and welfare in Ontario – are very much responsible. As noted, EI sets out a “positive results” requirement. And Ontario Works is framed explicitly upon a “shortest route to employment” philosophy.

One respondent summed up the issue as follows: “The biggest problem is that federal and provincial programs are fixated on the shortest route to the quick fix.” Another echoed the same problem: “The whole system is numbers driven. There is no qualitative analysis. There are incentives to make the numbers look good by processing cases and working with the easy ones to make the numbers higher.”

Several respondents noted that governments appear less flexible and less interested in funding innovation than ever before. Too much is being expected too soon: “The key barrier to effectiveness is too much too fast.” Another respondent pointed out: “HRDC’s (Human Resource Development Canada’s) own data say that the more disadvantaged a person, the longer-term the intervention required. Yet their investments are only short term.”

There are unrealistic time frames even with respect to those considered relatively independent. For example, it takes far longer than the time allowed in the self-employment assistance component of EI or Ontario Works for a sole entrepreneur to create a viable business. This problem is described in more detail below.



Unrealistic expectations create a burden not only for program participants; such expectations also cause problems for the organizations contracted to do the training. They simply cannot produce the expected positive results within the allocated time. Delivery agents that fail to meet the required targets do not get paid. They are under pressure to shortchange participants and/or select only those most likely to succeed.

*v. Lack of stable financing*

Even programs that show consistently positive outcomes find that they continually must justify their worth in order to receive funds. One respondent pointed out that the program with which she is affiliated has been operating for a long time. She claims that it has “great outcomes – 80 percent of people get jobs.” Yet the organization still has to fight for funding every six months to a year. The time and energy spent continually justifying the program could be better invested in participants and required supports.

In addition, government relationships with community organizations tend to be very short term. The longest contract with any government department is one year; it is impossible to plan beyond that point. Organizations frequently lose good employees because they are unable to offer stable employment. Several respondents noted the need for a longer time frame in order to ensure sustainable integration into the labour market. Governments need to think in three-year, rather than one-year, terms.

The time frame for funding is exacerbated by the nature of the financial support. It typically comes in the form of project funds with limited scope and duration. Neither does this type of funding promote the sustainability of the effort – a factor that is particularly important for the health of community organizations. In fact, some programs must now shift towards fee-for-service funding, an arrangement that threatens to destabilize the organizations providing service. Policy changes arising from EI changes and the introduction of the ODSP and Ontario Works have undermined the financial stability of the service-providing sector.

Finally, comments were made about the need for governments to act more as a repository of learning and a catalyst that encourages creative approaches. Instead, the rules and procedures often hinder the work of the organizations they supposedly are trying to support.

But the problems move beyond the lack of stable financing for a range of employment programs. Clearly, the lack of stable financing for an employment ‘system’ means that there is no continuum of employment preparedness programs. Equally important and serious in its impact is the lack of transitional supports that help people move along the various nodes of a continuum and into the paid labour market.

*vi. Lack of transitional supports*

Two key problems were identified with respect to the lack of support. First, there is limited assistance available in the way of child care or transportation to ease transition into the labour market. Second, there are few employment-related measures after individuals move off various programs of income support. They lose far more than income benefits alone. They may lose access to important health and disability benefits that may be essential to their survival. In the words of one respondent: “If you find a job, you lose all your benefits.”

One participant referred to the reality of having been a working poor mother with a disabled daughter for 15 years. She worked for minimum wage and there were no benefits, such as sick leave. She ended up working all the time just to make ends meet and was emotionally and financially drained. “This type of experience poses a barrier for people who want to better their social and economic circumstances.”

One respondent noted that without transitional supports, “people are terrified to pursue opportunities.” In many cases, they simply are unable to work. For example, a woman who had completed a paramedic course was offered a job in another town for \$23 an hour. She needed \$2,300 to move her family but Ontario Works would not provide any assistance to help with moving expenses. She had to give up that job prospect.

Several people pointed out that the Ontario government’s November 1999 announcement to reduce from five years to two years the time period for the variable component of the earnings exemption is a step in the wrong direction. “People need to keep more of their money from employment, not less.” (An earnings exemption is an amount that provinces allow welfare recipients to keep without any reduction to their welfare cheques. The exemption may be a flat-rate amount and/or a percentage of earnings. Ontario, in particular, currently allows a flat-rate amount – \$143 for a single person and \$275 for a single parent and a variable amount – 25 percent of remaining earnings. It is the variable amount that will be affected by the recent provincial announcement.)

In addition to transitional benefits, there are few associated community supports to help provide the stability essential for moving into training or paid employment. Several respondents referred to the insurmountable barriers arising from underlying social conditions. These are often so bad that even if opportunities for training are available, many individuals are not even in a position to learn. The lack of affordable housing is a problem for stability. One respondent pointed out that there are 4,000 households on the waiting list for affordable housing in her mid-size urban community.

The unemployed are often so worn down by their circumstances that everything is a hurdle. Participants drop out – even from good programs – because of personal pressures and crises. In the words of one respondent: “These people are hanging on by their fingernails.”

The problems are particularly acute for Ontario Works participants who must be in a state of near-poverty in order to qualify for the program in the first place. The eligibility criteria require that applicants have few assets and little income – virtually no lifeline. Most people face enormous personal barriers – no funds, transportation or child care. Some also may have an abusive partner who typically discourages their efforts to succeed.

Respondents provided another example of how the ‘system’ wears people down. If participants have been on Ontario Works for more than one year, the province will place a lien against their home. One individual told the story of a 55-year-old man who had worked for 22 years. He was laid off and collected Employment Insurance. He is not in particularly good health and was unable to find another job. Because he has been on Ontario Works for more than a year, the province has placed a lien on his home – his only pathway out of poverty. If he sells it, he must pay a portion of the sale to the government. If he dies prior to selling the house, the province will take the money from his estate.

Others noted that the programs themselves sometimes invite failure. Early morning training sessions, for example, make it difficult for parents with young children to arrive on time. The problem is made worse by the fact that parents who cannot find high-quality, affordable child care in their neighbourhood often must travel with their children in the early morning. The sheer ‘logistics’ of their circumstances make it difficult for them to succeed.

The programs are not set up with single parents in mind in terms of getting children to and from school. Programs often start at 8:30 or 9:00 a.m.; “a mother can’t be in two places at once.” Most training programs have little tolerance for participants who are late because they had to take children to school or because a child was sick and alternate care arrangements had to be made. Missing several training sessions, for example, could lead to expulsion from Ontario Works. The lack of appropriate flexibility causes many young parents simply to give up their training or job search. Some respondents suggested that training programs should start at 10:00 a.m. and that parents should be allowed to miss more than two or three days in the event of child-related illnesses.

The following personal story summed up the general problem: “Even if you get training and/or get a job, it brings big problems. You lose a lot of benefits. Everyone is after you for money. Rent is the big one – your rent can go from \$260 a month to \$720 [this individual is referring to movement from a rent-geared-to-income situation to the private market]. They look at your gross amount to consider rent and benefits. Then you have to pay \$57 for a bus pass. There’s child care, groceries, clothing and medication. So the transition is very hard. Supports should be in place for two years just so people can make the transition from welfare to work. This means keeping the child care and rent subsidies and the benefits while training (year one) and while starting a job (year two). Then there should be a six-month adjustment period to allow people to get out of subsidized housing and into the mainstream. During this two-year period, there should be people around to

help you, not block you. People like your landlord, caseworker, bank manager and Revenue Canada. People who care – people who will help you develop from the inside out.”

It should be noted that the Region has just set up two job retention worker positions to help selected individuals through the transitional period. The Region also provides extended health and social supports for persons who are not recipients of social assistance but who would be in a position to retain their jobs as a result of this assistance.

### ***Specific Policy Barriers***

This section of the paper examines the policy barriers that arise within specific components of the employment system.

#### ***i. Employment Insurance***

##### ***a. tightened eligibility***

The 1996 Employment Insurance Act introduced a new provision that bases eligibility on the number of hours rather than the number of weeks worked. The stated purpose of this change was to allow more flexibility in the program and to enable part-time workers, in particular, to qualify for Employment Insurance benefits.

At the same time, however, the Act tightened up the eligibility criteria by substantially increasing the number of hours required to qualify. Workers now must put in from 420 to 700 hours (or the equivalent of 12 to 20 weeks), depending on the unemployment rate in the region. This change represents an increase of between 180 and 300 hours over the former entrance requirement.

Claimants applying for sickness, maternity or parental benefits needed 700 hours of work. Changes announced in the February 2000 federal Budget mean that applicants for these benefits now require only 600 hours of work to qualify. New entrants to the labour market and those who have been out for some years need to establish a reasonable attachment to the labour market before they are considered eligible for EI. Newcomers or those reentering the labour market must work a minimum 910 hours before qualifying for the program.

As a result, Employment Insurance coverage of unemployed workers has dropped dramatically. The percentage of the unemployed covered by EI in 1997 was less than half of what it was in 1989 – falling from 74 percent to 36 percent of the unemployed. EI coverage for women was even

lower; only 32 percent of unemployed women received EI benefits in 1997 [Canadian Labour Congress 1999]. In fact, two-thirds of big-city regions have coverage rates well below 30 percent. In Ottawa, only 19 percent of the unemployed receive EI.

The purpose of the move to hours-based from weeks-based eligibility was to enable more part-time and multiple job holders to qualify for EI and, in particular, to allow more women – who are employed disproportionately on a part-time basis – to qualify for maternity benefits. The hours-based eligibility also was intended to address the former ‘15-hour problem.’ People working less than 15 hours a week or earning less than the minimum dollar amount did not pay premiums and neither did their employers. These employees had no insurable employment no matter how long and consistently they had worked.

The problem is that the hours required in order to qualify were increased dramatically and, as a result, most workers are no longer eligible for the program. It is of interest that three women in Manitoba are challenging the Employment Insurance law, arguing that its tougher eligibility rules discriminate against women and part-time workers. They claim that the increased number of hours required to collect benefits is especially difficult for women. They simply cannot put together the requisite hours.

The fact that it is more difficult to qualify for EI does not necessarily mean that unemployed workers are automatically eligible for welfare. As noted, they must meet provincial criteria – which do not allow assets and income that exceed certain levels.

***b. reduced access to employment measures***

The result is that more part-time workers are now paying into the program but many of them cannot qualify for benefits if they become unemployed. If they do not qualify for EI in the first place, they are not eligible for the training measures that potentially could help them move out of the part-time employment cycle. EI effectively reinforces their state of underemployment because part-time workers have no access to the employment supports that could help improve their circumstances. This problem is all the more unfortunate because EI employment benefits – at the top of the food chain – are more generous than those available through other programs.

While it is now more difficult to qualify for EI, those who do get special consideration. The employment measures apply to persons whose EI has expired within a given period. The so-called ‘reach-back’ clients are eligible for employment benefits three years after their EI and five years after maternity leave. “But,” as one respondent noted, “many people are unaware of the fact that

they may be eligible for training programs after their EI has ended. The EI changes are relatively recent and participants tend to be poorly informed about the program.”

*c. privatization of training*

The philosophy of ‘active’ employment measures that underpins Employment Insurance has had a profound impact on training and work readiness programs for those fortunate enough to qualify for this ‘elite’ program. While this approach has led to greater flexibility in local offices and a rise in individualized programming, it has resulted in a patchwork of inconsistent methods rather than a more standardized approach based on best practice.

As noted, Part 2 of the Act is the pot of money used for employment benefits: training, wage subsidies, job creation, self-employment assistance, and skills loans and grants. Prior to 1990, these measures were financed from general government revenues. This funding was important in that it provided stability to service deliverers and allowed programs to include non-UI clients.

It is also Part 2 of the Act that gives provinces exclusive jurisdiction over training and encourages the use of EI funds for subsidies to private trainers and employers. “Part 2 is becoming a huge source of subsidies to business through wage subsidies, partnerships, job creation funds, self-employment and support for private, for-profit training” [Canadian Labour Congress 1999: 6].

Claimants who are interested in training and upgrading can access skills grants and loans for these purposes. The relative proportion of the grants and loans will be determined on the basis of projected income in a given field. But depending upon the size of the loan, the provision means that workers must now *borrow* the funds they already have paid into EI. Moreover, they are required to repay that money with interest. “The individualization of training through a UI voucher and personal loans system means tuition fees are now becoming the most important source for paying the cost of training” [Canadian Labour Congress 1999: 6].

To qualify for a loan or grant, individuals must outline a personal career plan whereby they seek out the training programs that best meet their needs. Because the unemployed now must obtain personal loans to get training, it has become more difficult to know how many rely on such assistance and what type of training they are getting. The devolution of labour market programs to the provinces makes it hard to track what provinces are doing with the EI transfers.

All that is known for sure is that unemployed workers must contribute increasingly to their own retraining; persons who cannot afford it likely will not get it. Those already skilled will have

greater access to privatized training. In fact, under Employment Insurance, the federal government stopped the direct purchase of training seats. By the year 2000, there will be no more government-supported seats in training programs [Canadian Labour Congress 1999: 6].

The quality of private training is highly variable and some respondents noted that training programs are often inappropriate. One individual, for example, took a four-month training program to get her résumé prepared and learned about the interview process, self-employment and the Internet. She managed to get two part-time jobs with her old résumé. In her view, the training program was a waste of time and money.

#### *d. problems with self-employment*

Part 2 of the EI Act also provides assistance for self-employment. Several respondents were not impressed with the quality of this support. Unemployed workers must submit a business plan in order to qualify for self-employment assistance. In the words of one respondent: “The first thing workers are told by HRDC is: ‘Your business plan is not viable.’ People are discouraged by government workers who frequently reject their ideas. There is no environment to really help people develop their business ideas.” Another respondent pointed out: “HRDC counsellors listen seriously to business plans but they do not tell people about new programs or try to do problem-solving. They seem to be on automatic pilot.”

Concerns were raised about the fact that prospective entrepreneurs lose their income benefits too soon. It takes time to develop new products and start up a business. Self-employment is different from retraining and the additional time requirements should be recognized by EI. (It should be noted that despite the concerns regarding EI self-employment, several respondents felt that this program was far more realistic than Ontario Works, discussed below.) The danger, though, in pursuing self-employment is that if the business fails, the entrepreneur is not eligible for EI. The self-employed are not covered under the program.

### *ii. Ontario Training*

#### *a. lack of information*

Only a handful of respondents had direct experience with provincial training programs. In fact, few respondents were aware of provincial programs – especially apprenticeship. This lack of



knowledge is a concern in itself in light of the expected shortage of skilled trades in the coming years. Another issue is the high rate of failure in apprenticeship programs; a newly released report on the apprenticeship system in Canada found twice as many dropouts as graduates [Beauchesne 2000: D1].

***b. sponsorship problems***

One problem that was raised concerned the former apprenticeship legislation's expectation that prospective apprentices must find a sponsoring employer. Many felt that this was an unrealistic expectation. In fact, a respondent noted that in eight years of work in the training field, not one client had managed to secure an apprenticeship arrangement. As noted, Ontario has introduced a new apprenticeship act which is expected to resolve the problem of finding a sponsoring employer – at least in trades outside of construction. Prospective apprentices no longer need to line up a sponsoring employer but simply must find a sponsor – a private employer, community agency or local government.

***c. tighter educational requirements***

But while the new legislation may resolve one barrier, it effectively may introduce another. Grade 12 completion or equivalency is now a prerequisite for apprenticeship for all skilled trades outside the construction sector (although Industry Committees within each trade can recommend otherwise). Some respondents questioned this requirement, given that most candidates can read, write and communicate effectively even if they have completed only Grade 10. The high school completion requirement was seen as arbitrary and exclusionary; acquired skills should be given more importance than the number of academic years.

Several respondents proposed that there be some way of assessing the value of prior learning so that experience can be counted as part of educational requirements. (The Ontario Youth Apprenticeship Program gives students who are at least 16 years old and who have completed Grade 10 the opportunity to finish high school while working part time as a registered apprentice.)

Moreover, it is expected that changing technology will increase skill requirements. A certain degree of computer literacy also may become essential in some fields.



The raising of educational requirements was identified as an across-the-board issue. Concern was expressed, for example, about the high levels of formal education now expected for entry-level positions in the public sector. The increase in educational requirements has been complicated by the removal of experience ‘equivalencies’ whereby sufficient work experience often could substitute for more formal educational requirements.

*d. need for pre-apprenticeship training*

Several respondents pointed to the gap with respect to preparing individuals for apprenticeship programs. For example: “Pre-apprenticeship is not well supported and there are huge possibilities there” and “Pre-apprenticeship and prior learning assessments exist but they require a lot of paperwork and present a barrier to many clients.” One respondent made reference to the Bladerunners program in Vancouver supported by the BC government. Bladerunners prepares participants with both the life and job skills needed to enter formal apprenticeship training in the construction trades.

*iii. Student Loans*

*a. debt burden*

Respondents identified numerous problems in the student loan system. Many of these have persisted for years. For example, students continue to face high levels of debt upon completion of their studies. But concern about this problem is growing because of rapidly rising levels of tuition. Average tuition fees for undergraduate arts programs, for example, increased by 125 percent between 1990 and 1999 [Statistics Canada 1999]. Tuition fees for foreign students are exorbitant. Many also must pay for language training.

Rising tuition and unstable, low-wage employment have resulted in a high rate of default on student loans. However, while the rate of default may seem high, it is actually low relative to rates of default on commercial and other personal loans. “In 1995, consumer bankruptcies totaled \$3.6 billion, while corporations racked up \$5.3 billion in unpaid debts. Of the \$3.6 billion in consumer debt, only \$70 million, or less than 2%, involved student loan debt [Canadian Federation of Students 1998: 4].

***b. millennium scholarships diverted***

In addition to the student loan problems that have persisted for years, several new problems have arisen as a result of the so-called 'Education Budget' that the federal government introduced in 1998. Its centerpiece was the creation of the Canada Millennium Scholarship Foundation.

While the new measure was touted as a means to help more Canadian students, the reality has not matched the expectations. In Ontario, at least, grants awarded through the Foundation are not paid directly to successful students. (Because the Foundation negotiates bilateral administrative agreements, the procedures may work differently outside Ontario.) Millennium scholarships, which average \$3,000, are applied to an Ontario loan reduction program. The Ontario Student Opportunity Grant helps students reduce their annual debt load if they are entitled to a student loan that exceeds \$7,000 for a two-term academic year or \$10,500 for a three-term academic year.

Another concern for students is that the millennium scholarships are taxed as income. Students effectively are being taxed as though they actually receive these funds as cash. In fact, the monies are diverted to the provincial loan reduction program and are never received by the students at all. (It should be noted that the 2000 federal Budget increased from \$500 to \$3,000 the tax exemption for income from scholarships, fellowships and bursaries. This provision will help alleviate the tax burden but does not eliminate the source of the problem – i.e., the fact that the students themselves do not directly receive the funds.)

***c. new restrictions on eligibility***

The 1998 federal Budget introduced other questionable measures. Prior to June 1998, students were deemed eligible for a Canada Student Loan and a provincial student loan based on a needs assessment that included a review of household income and assets. As of June 1998, the Governor-in-Council has the authority to prescribe the circumstances under which a loan may be denied. This provision means that "politicians can now set behind closed doors the criteria by which loan applications can be rejected" [Canadian Federation of Students 1999].

The so-called Education Budget also introduced new restrictions on eligibility. As of August 1999, students could be denied a loan if they were over age 22 and had missed a payment for 90 or more days on three separate occasions (on loans or debts of \$1,000 or more) in the three-year period before they applied for a student loan.

*d. new bankruptcy provisions*

Student loan debt holders are now banned from declaring bankruptcy for 10 years following graduation or leaving school. Debtors used to be provided the same protection for student debt loan as any other consumer debt. “Bankruptcy provides financial protection for individuals and corporations when all other measures and every reasonable means of payment have been exhausted. To deny any one group access to bankruptcy protection delegitimizes the entire bankruptcy process [Canadian Federation of Students 1998].

The 1998 federal Budget did introduce some interest relief and debt reduction measures. But debtors can access the debt relief program only after five years have passed since leaving school. Most repayment difficulties occur in the first two years after school completion. Moreover, in order to receive debt relief, students must lengthen their loan period from 10 to 15 years. While their monthly payments may be reduced, total repayments are increased due to interest charges.

*e. not market-responsive*

Additional concerns were raised with respect to the Ontario Student Assistance Program. Those who seek financial assistance under OSAP must apply for training programs that are ‘OSAP-eligible.’ It was noted that many courses are emerging in response to the labour market demand for new or upgraded skills. But there is a long process involved in getting these courses approved by OSAP. The course must be up and running for two years. In the meantime, low-income students are not able to enroll in many of these new courses that, ironically, could help them secure well-paying employment.

OSAP is not seen to be meeting the emerging demands of the economy in an expedient way. Several respondents proposed that the program undertake creative measures to expedite its procedures because many unemployed are losing crucial opportunities for training and employment. These respondents suggested, for example, that the program convene representatives from high-tech companies to review new courses and approve them more quickly. Employers currently sit on the Local Training Board and possibly could link into OSAP through that structure.

It was noted that there are some successful customized training efforts under way which involve private employers and community groups. However, these programs are not considered OSAP-eligible because they are not run by approved postsecondary educational institutes. The Region faces the same problem in the financing of its customized training programs that are not considered ‘fundable’ under Ontario Works.

*f. administrative problems*

Barriers also arise from the interface between OSAP and Ontario Works. Participants already on Ontario Works who decide to pursue postsecondary education are referred to OSAP to determine eligibility for financial support. OW participants who want to pursue some form of job-specific skills training are not required to apply for OSAP (even if the course is considered to be 'OSAP-eligible'). In the case of welfare recipients, OSAP provides assistance for the shortest possible route to employment. It does not cover the costs of postsecondary education.

Single individuals on Ontario Works are cut off the program if they are approved for OSAP funding. Social assistance is provided as a top-up to OSAP only in the case of large families. The Region also pays the costs of some discretionary items for non-Ontario Works recipients who are pursuing education or training. The purpose of this support is to help prevent people from coming onto welfare in the first place. But the Region must pay 100 percent of these costs. There are no provincial funds to help keep people in straitened circumstances from going onto welfare in the first place.

The choice of training for OSAP-assisted individuals is effectively limited by cost. Ontario Works participants are not eligible for the above-mentioned top-up if the course fees exceed the training allowance; the Region has set a maximum lifetime training budget of \$5,000 per person. In very exceptional cases, managers have some discretion to exceed that limit.

As noted, OSAP includes a set of approved courses. OSAP puts a ceiling on funding but tuition costs typically exceed the ceiling. Ontario Works' caseworkers try to discourage clients from going to private colleges. Respondents also noted that OSAP funding assumes that most people have some money to contribute to their education. This is an incorrect assumption in the case of Ontario Works' participants who must liquidate most of their assets before applying to the program.

Several respondents noted that students need funds to register for courses and this form of assistance is often not available – even as a loan. One woman on Ontario Works was in her final year of a course. She had to register for the course before applying for OSAP but needed \$300 to register. She had to raise the money illegally or would be cut off Ontario Works if it were discovered that she had access to that sum of cash.

Problems were identified with respect to the payment schedule. Under OSAP, some people get a lump sum and others get staggered payments. The latter method of payment can create financial gaps. When prospective students apply for OSAP, they must guess what they will receive. Some can make the projections and do the required budgetary calculations, while others cannot.

OSAP is treated as income for the purposes of calculating child care subsidies. But it is also considered a loan which must be repaid with interest. As soon as applicants receive OSAP assistance, they must repay their child care subsidy. If they are late getting OSAP and receive full subsidy, it must be paid back retroactive to September. Many people get caught in a cash flow problem because of administrative lags.

Finally, it was noted that several Ontario Works clients have outstanding OSAP loans. Under new federal rules, they cannot get another loan. Caseworkers used to be able to write a letter asking OSAP to dismiss the loans, but this no longer can be done. Many people are being penalized for poor decisions made when they were young or for taking a program for which there is no longer a great demand. Several respondents felt that these circumstances should be considered on a case-by-case basis. Default on a past loan should not be the only reason for lack of access. There also should be a fair appeal process.

#### *iv. Disability Programs*

##### *a. disincentives to work*

Most individuals interviewed for this study were familiar with the Ontario Disability Support Program. But there are serious barriers built into other programs as well. People who leave disability income programs risk a great deal if they move off. Anything other than a full-time job with benefits will not provide the same level of security. And to reapply for disability benefits can be a nightmare [Torjman 1996].

The Canada Pension Plan disability benefit, for example, requires that a person be out of the labour market entirely and incapable of performing any work that would provide sufficient income for basic support. It is effectively an 'all or nothing' program that encourages people to stay on the system in order to protect their benefits and their economic security (although recent CPP initiatives are trying to encourage workforce participation).

One respondent pointed to the case of an individual with back problems. He could not train for certain programs or would risk losing benefits under workers' compensation. Another respondent explained that Assured Income for the Severely Handicapped in Alberta puts recipients in an impossible position. They must choose between a guaranteed income with various subsidies and making some money at a job that allows them to contribute to and participate in society in some way. But recipients actually need both: the flexibility to make some money and the security of a basic level of support.

*b. loss of benefits*

Several service providers indicated that their clients have turned down job opportunities for fear they would lose medical subsidies once they started working. They also worried that if they lost their job after being hired, they would have to go through eligibility retesting [Behnia and Behnia 1997: 27]. “I have seen the government make an individual drive from Peterborough to Hamilton for five different appointments with specialists just to confirm that he has the disability he claims to have. The whole process of getting disability benefits again takes 12 months – in the meantime, his life is a shambles.”

Respondents identified many problems with Ontario Disability Support Program (ODSP), which apparently has a one-year waiting list. Despite the extensive description of benefits, there are serious limits as to what it will cover. A diabetic woman, for example, received a letter telling her that the insulin she requires will be paid for under ODSP but not the syringes and swabs she also needs.

*c. individualized employment measures*

Problems are especially acute with respect to Employment Supports – the work-related component of the Ontario Disability Support Program. As is the case with Employment Insurance, Employment Supports participants are essentially on their own.

Applicants for this stream of assistance must fill out an employment plan of action as to where they would like to be in three months’ time. There is no assistance provided to complete the initial application form, so many are cut off right at the earliest possible stages of eligibility (they may receive some help with this form if they know to ask for it). Many persons with learning disabilities are simply unable to use the material. Participants are expected to be knowledgeable about the existing services as well as their own abilities. One community organization cautions its clients: “The application process is somewhat complex. You are encouraged to get help from someone who is knowledgeable” [Disabled Persons nd: 3].

Employment Supports specialists then review the application to determine the appropriateness of the plan and eligibility for financial assistance. The proposed employment plan is costed out and accepted participants are provided funds to pursue the proposed route. Participants choose the service they wish to access, present cost estimates for these programs and receive funding to buy these services if their plan is approved. They effectively act as their own service brokers.

*d. unrealistic time frame*

Participants within ODSP Employment Supports are afforded a maximum of only six months' assistance (three months with a possible maximum extension of three months). Respondents noted that this expectation is entirely unrealistic. ODSP participants either have exhausted their EI or their EI reach-back status. Another possibility is that they never were employed for long or even at all. They are on ODSP because they are not eligible for any other form of income support. Either way, these individuals have not had an attachment to the paid labour market for some time – if ever. “The time frame is completely out of touch with the reality of their lives.”

*e. destabilized service provision*

It is not only individual participants who encounter problems with the purchase-of-service arrangement. Grants for organizations that provide programs and services (known as ‘transfer payment agencies’) are being eliminated under the Ontario Disability Support Program.

Ontario announced its intent to phase out core funding to transfer payment agencies by the year 2001. (The original date had been March 2000, but agencies expressed their concern about the impossibility of this time frame.) Under the former Vocational Rehabilitation Services, delivery agents received some core support for the services they provided. But since the province has signed a new agreement with the federal government on sharing the costs of services for persons with disabilities (the Employability Agreements for Persons with Disabilities, discussed below), core funds will be eliminated after March 2001.

Agencies will be paid for their work on a fee-for-service basis. Some organizations fear that their caseload will not be high enough to sustain their operations. In the Ottawa region, for example, 26 organizations offer employment placement services based on various disabling conditions. The caseload simply is not large enough for them all to survive on an individualized funding arrangement.

Some agencies receive core support for certain of their employment-related operations under the Human Resources Investment Fund. But it is expected that this fund will be cut back and will require a corresponding scaling back of local programs.

Other organizations receive funds under the federal Opportunities Fund. This fund had been set up by the federal government in 1997 in response to the fact that many persons with disabilities were not eligible for the employment measures supported through the Human Resources Investment



Fund. Many cannot get into the paid labour market in the first place or do not remain employed long enough to qualify for Employment Insurance. The federal government introduced the Opportunities Fund in 1997 to help redress this problem. The Opportunities Fund was due to expire in March 2000; the federal February 2000 Budget made the \$30 million a year contribution into a permanent fund.

Employment services for persons with disabilities used to be regulated under bilateral agreements set up under the Vocational Rehabilitation of Disabled Persons Act. The Act allowed for Ottawa to share with the provinces the cost of a wide range of vocational supports that help persons with disabilities enter or reenter the labour market.

In 1997, the federal and provincial governments began to explore ways to ‘improve’ the arrangements under the Vocational Rehabilitation of Disabled Persons Act. A new Employability Assistance for Persons with Disabilities Act was introduced that allows for a range of services including assessment, employment counselling, wage subsidies, and technical aids and equipment. The original cost-sharing arrangement was replaced by a ‘block grant’ – i.e., a federal allocation to the provinces on the basis of a set formula.

The former financing arrangement had allowed a more integrated approach. Vocational Rehabilitation Services used to be holistic; now the approach is piecemeal. The province provides an employment support team of intake workers. Services are delivered by private businesses and community organizations. Consistent with the ‘creaming’ approach earlier described, individuals who need more assistance and intervention basically are left out because they do not qualify as sufficiently employable.

Yet another problem was identified with the underlying funding structure. The funding formula for ODSP supports pays organizations for assessments, training-on-the-job, and placement in both unpaid and paid employment. Ironically, this fee schedule can have the effect of slowing down the placement process for some people. In order to get paid for different types of interventions, agencies may keep clients going through these different hoops – even though some individuals might be job-ready. (Agencies are limited in this ‘game’ by virtue of the fact that only a maximum six months’ assistance is covered under the program.)

***f. lost in the ‘system’***

Several respondents expressed concern about the fact that far too few people have been approved for assistance under ODSP Employment Supports. The problem arises not simply from



the time lag in approvals but also from the decisions as to whether clients are ineligible because they are considered 'too disabled' or 'not disabled enough.'

"It is clear that there are significant sectors of disabled people who will not be serviced under the existing ODSP Employment Supports plan. These include hundreds of individuals previously recognized by the Ministry of Community and Social Services who do not fall under Employment Supports due to the severity of their disability. Included in this group are people who are 'not disabled enough' to be eligible for Employment Supports. People in this category are being directed to Ontario Works and are not able to access any employment supports they may need to acquire and retain employment" [Working Group nd].

One respondent expressed concern that with unrealistic expectations which exclude many people, there may be hundreds who are getting lost in the system. There is a need for a range of flexible supports and transitional programming to ensure that persons with disabilities are not left without any supports.

Access to training was identified as a problem for persons with disabilities. While Employment Supports makes reference to training assistance, it does not include a training budget. The Region was supposed to get money for this purpose under the federal Opportunities Fund, but did not receive it. Participants seeking training dollars first must seek courses that may be eligible under the Ontario Student Assistance Program.

Several respondents noted that certain design features of the program itself can set people up for failure. An ODSP recipient in Greely, for example, had an employment counsellor located several hours away in Cornwall. Two persons on ODSP decided to share accommodation so that they could provide each other with physical assistance and personal supports. Their cheques were reduced because they were deemed to have received a savings from this sharing. And, as noted, many training programs have become increasingly inflexible and will not tolerate special circumstances. One respondent explained that a person with a psychiatric disability, for example, who is hearing voices one day and cannot get out of bed may be automatically disqualified from the program.

#### *g. attitudinal barriers*

Barriers to employment arise not only because of program rules and practices. Persons with disabilities continue to face attitudinal barriers on the part of employers who may be reluctant to incur additional costs or who may believe that persons with disabilities are less productive or

reliable than other employees. The lack of support for the purchase of assistive devices and equipment also deters many employers from hiring these people [Behnia and Behnia 1997: 21].

***v. Ontario Works***

***a. last-resort assistance***

Ontario Works (OW) took effect May 1, 1998. Like the General Welfare Assistance Act it replaced, Ontario Works is considered a program of last resort. In addition to the requirement to tap first into other sources of support, applicants are not permitted to have liquid or fixed assets that exceed certain levels. There are no provisions for any extra support a family may provide. One respondent gave a poignant example: “On Ontario Works, you cannot have an RESP (Registered Education Savings Plan) for your children even if your grandparents are paying into it for you. It must be depleted before you are eligible. There is no way in the world to get ahead.”

The fact that Ontario Works is a last-resort measure creates pressures on its design. Because OW is residual to all other programs, it must shift continually as other policies change. Its rules and procedures vary according to the programs that are higher on the food chain.

The ongoing changes in the entire ‘system’ of employment programs have created problems simply in keeping up with the provisions. “The rules get ‘out of sync’ very quickly making it difficult, if not impossible, to create and maintain a seamless system.” It is a challenge to update staff on all the changes and ensure that they are interpreting accurately the range of rules. Moreover, “individual caseworkers have incredibly varied interpretations of the legislation and the parameters around it – which, in any case, are changing fast.” There is a great deal of administrative discretion on the part of workers. Supervisors, managers and directors also have some authority in the interpretation of various policies and procedures. This discretion can work in favour of clients or can be seriously detrimental.

***b. initial delay in service***

Once accepted into Ontario Works, there used to be a four-month ‘grace period’ during which participants were left to search for possible employment options on their own. (They could decide, however, to request more active involvement prior to that time.) The theory underlying this hands-off approach was that many participants who had come onto the program had recent attachment to the labour market. They may have been laid off and do not qualify for EI. They

likely do not need much outside support to reenter; they simply require some interim financial assistance.

Several respondents disagreed with this philosophy. They felt that a more effective approach would be to help the unemployed as quickly as possible. The Region recently has changed its policy by removing the four-month grace period and by beginning intervention immediately. Participants accepted to Ontario Works are assigned to one of three 'pathways': employment support, community participation, employment placement (which includes self-employment).

*c. employment support*

*minimal assistance*

OW employment support is separate and distinct from ODSP Employment Supports. Persons with disabilities on ODSP cannot access the employment support pathway because they do not qualify for OW programs. However, it is possible for someone to have a disability and to be on Ontario Works. (The person may not qualify for ODSP which requires individuals to have a disability that is considered severe and prolonged.) These OW recipients do have access to Employment Supports under ODSP.

OW employment support provides participants with limited assistance to enter the labour market. Employment support consists of individual and group job search, and training. The actual assistance is minimal. Many participants reported that the support involves nothing more than a hurried interview after which they are sent off on a self-directed job search. Group 'job search' is merely a session which discusses preparation of a résumé.

This problem was confirmed by a province-wide review of Ontario Works: "The start of a genuinely mutual employment program should be an assessment of the participant's needs. Few of our informants received meaningful assessments of their skills, education or training needs. Typically, people describe the meeting to negotiate their 'Participation Agreement' as a rushed, one-sided affair. Little information was provided in the 'assessment' and the employment 'plans' were often absurd (as in the case of the person ordered to attend life skills and résumé workshops that she had formerly taught) [Workfare Watch 1999: 2].

*unclear expectations*

Another report on participants' experiences of Ontario Works noted that: "Participants expressed confusion and frustration not knowing what was expected of them or what opportunities and services were available through Ontario Works. Little or no information appeared to have been provided to the people we spoke to, at least in a form they were able to absorb, understand and use" [Project Team 1999: 23].

If the process is not easily understood, it is especially difficult for persons with language or communication difficulties. "The process is confusing and uninformative for participants who are literate and speak English. The lack of any genuine assessments and the rushed, one-sided nature of the process are troubling. But for participants with poor literacy skills, or whose first language is not English the process is more than unfair; it puts participants at risk. If the result of the process is that participants have a poor understanding of their requirements, they are in danger of innocently failing to meet their requirements" [Workfare Watch 1999: 5].

*self-directed training*

The training component of employment support is also highly self-directed. Recipients are informed of the training options available in the community and they then seek out specific programs on their own. The employment support pathway is built on the assumption that participants require relatively little assistance to find appropriate training. Yet many OW participants have been unemployed for some time. They already have exhausted their EI – if they qualified in the first place – and formerly had been through a four-month grace period during which they were basically on their own. In short, they have not participated actively in the labour market for some time.

There are few resources for personal assistance. OW participants are expected to make training decisions with little guidance or support. Respondents expressed concern that people are being asked, with minimal advice, to make difficult life choices that had long-term implications. And there are not many opportunities to try again or reapply for funds if the initial training decision turns out to be a poor or uninformed choice.

The former welfare program that OW replaced incorporated an Opportunities Planning component. This approach provided guidance and assessment to help participants develop

individualized training plans. It included a trajectory for where they were, where they wanted to be and how to get there. Ontario Works, by contrast, does not provide similar support in making important career choices.

*user-unfriendly measures*

OW participants interested in training typically are encouraged to use the new Interactive Training Inventory (ITI) developed and maintained by Human Resources Development Canada. ITI is basically an electronic databank of training opportunities. It is a national system broken down by region and can be accessed by anyone in the country – not just EI recipients or OW participants – seeking work-related training.

In theory, the concept of an electronic databank makes sense. It allows for continual additions as well as updates to existing training opportunities. The ITI effectively acts as a national resource allowing job seekers to search for training opportunities.

Unfortunately, there is a gap between the ‘good’ theory and the real world. There are serious growing pains with the technology that have created problems for users. Ideally, the databank should identify the nature of every course, its start and completion dates, and its cost. But the system is not yet complete and much of the key data required for making informed decisions is missing. There is also a need for outcome-related data, better system capacity and improved access to both the site and its information.

The ITI is a fairly complex system for people with low literacy and computer skills. Several front-line workers pointed out that the new expectations are unrealistic. Prospective workers practically must be sophisticated computer users to gain access to the list of available training programs.

Some of the language employed in the individual job descriptions is difficult – even for those with no literacy problems. For example, a course entitled “Towards Entrepreneurship” is described on the ITI in the following way: “This course is ideally suited for department managers enmeshed in an organizational de-layering process where increased responsibilities and accountability are expected.” By the end of the workshop, participants will have acquired many new skills including the ability to identify “techniques and resources for appropriate and cost-beneficial delegation and outsourcing.”

In addition to problems with what is on (or not on) the site, users often encounter problems gaining access in the first place. The site is frequently inoperative or “crashing” in the words of one respondent. Concern was expressed as to whether the site would be capable of handling the expected demand as it becomes known as the primary national training inventory. Other concerns included the ability to keep the information updated on an ongoing basis.

Another type of access problem was raised. Many OW participants must travel to one of the Region’s three employment resource centres in order to use the computers. Participants must arrange for child care during these times. They travel to the employment resource centre, only to find that they cannot gain access to the ITI website. Many get discouraged and are not anxious to try again.

***limited training support***

There is also a problem with the level of income assistance provided for training. Participants are expected to seek any possible source of financing to help pay their tuition costs. In the absence of other support, the Region will pay a lifetime maximum \$5,000 for courses approved by the Ontario Ministry of Community and Social Services. If participants happen to find a program that is not included in the Interactive Training Inventory, they must apply for approval before any funding is granted. (Other regions of the province have different policies with respect to the provision of training funds.)

The maximum \$5,000 stipend is rarely enough to cover most training programs, especially those that focus upon high-growth sectors of the economy and are in demand. The amount is especially low relative to the fees charged by private trainers. Moreover, there is a premium on these training funds. The Region pays for this training from its discretionary budget and is reimbursed by the province for a portion of the cost.

In November 1999, however, Ontario announced that it intended to cap the level of non-health discretionary funding it is prepared to reimburse. The Region henceforth will be limited to a maximum discretionary level of \$7 per individual or \$9 per household per month. This announcement means that the Region will be forced to choose whether it will help pay, for example, for utility bills or training for any given household, because it no longer will be able to do both.

Finally, there is no guarantee that participants actually will receive a training stipend simply because they have requested it or have selected an approved course in a high-growth field. One respondent told the story of a young woman with two children who was an exotic dancer. She wanted to take a computer course to do something more compatible with raising children and to be on a more regular work schedule. OW caseworkers apparently told her to find employment in the 'field' she already knows. She could not get assistance for computer training.

*d. community placement*

*higher qualifications required*

Most respondents did not focus on this pathway because the survey questionnaire (Appendix A) dealt primarily with barriers to training and the paid labour market. Problems with community placement have been documented elsewhere [Project Team 1999; Workfare Watch 1999].

The one issue that was raised regarding this pathway was the fact that even volunteer positions require a certain level of literacy for individuals to function in a work setting. One woman asked for a placement at which she could stuff envelopes. But there is not enough of this kind of work to sustain an entire placement. Even the initial interview for volunteering can be very intimidating.

*e. employment placement*

*higher competency required*

Only one respondent discussed this pathway. The individual participates in a program that involves Olsten (a placement agency) and Compaq (a high-tech company that runs a call centre). The pay is \$13 an hour. The eligibility criteria for this training program are very specific: At least a high school diploma is needed. An up-to-date résumé is essential even though some participants do not know how to prepare this on the computer, especially people from the trades. Finally, there must be certain levels of language competence. In the words of one respondent: "Companies want articulate people." Only a small percentage of OW participants can meet all these requirements.

*f. self-employment*

*sources of financing*

The self-employment pathway sets out several criteria for the selection of potential entrepreneurs. Consistent with a program of last resort, the self-employment stream identifies the possible sources of financing to which participants should first turn for financial assistance. These sources include personal resources and suppliers.

The irony is that if these prospective entrepreneurs had independent sources of financial support, they would not be turning to OW for assistance. In fact, it is not even possible to qualify for Ontario Works if asset levels exceed certain amounts. The program requires the liquidation of most assets; it is highly unlikely that participants would have enough capital to start a business. One respondent asked how OW expects suppliers to provide financial support. How can support be sought from suppliers if there is no business in place to supply?

In fact, the eligibility criterion that requires applicants to liquidate most assets and sell off a car that exceeds a certain value creates problems in itself. The loss of vehicle is a serious barrier, especially for individuals trying to set up a business. Even if they manage to keep a car, they typically cannot maintain it. The basic welfare allowance makes no provision for these costs. One respondent noted that a community economic development project was being considered to help maintain cars and keep them operable.

Questions also were raised as to the items considered appropriate as business expenditures under the self-employment pathway. The Region currently has a policy and procedures work group to determine reasonable amounts for employment-related expenses. One respondent noted that it is difficult for people who are in this pathway to do their own accounting and to know what is considered appropriate business expenditure. Moreover, there is confusion around the record-keeping requirements. The Ontario Ministry of Community and Social Services and the Canada Customs and Revenue Agency (formerly Revenue Canada) have different reporting requirements for self-employment.

There are also discrepancies in the treatment of employment-related income. Participants in the self-employment pathway may deduct certain business-related expenses – even though there is confusion as to precisely what these expenses include. By contrast, participants involved in some form of training business (discussed below) cannot make similar deductions for the costs incurred in producing a marketable item.



*unrealistic expectations*

Perhaps more troubling than the specific rules are the unrealistic expectations that this pathway may be creating. Many respondents expressed the fear that people are being channelled into the self-employment stream with great hopes for financial independence and with unrealistic notions about the time and effort required to run a successful business. In fact, this stream is likely not appropriate for many candidates and OW may be setting up many people for failure.

“Self-employment businesses are so vulnerable. If you cannot get enough contracts in the first year, that’s the end of the road. You have only 12 months to make it successful. At least two years are required for self-employment. We are setting them up but the platform is stacked against them and then who picks up the pieces?” (It should be noted that caseworkers have the discretion to extend the self-employment pathway beyond 12 months for certain individuals.)

One respondent pointed out that data from Canada and the US show that after three years, 20 percent of sole entrepreneurs succeed and 80 percent fail. The community organization with which he is involved sets up team entrepreneurship; they plan businesses and then bring in prospective entrepreneurs on a trial basis. This approach ensures that participants have some financial protection in that the businesses are up and running. The reality is that only a small percentage of OW participants are ready to be self-employed. It is a completely inappropriate option “without access to some capital, the support of family, self-esteem and serious skills.”

Several respondents noted that the self-employment pathway is misguided in other respects as well. First, the province expects to attain the same kind of employment results as it would achieve from investing in other forms of skills training. Participants in self-employment typically require more substantial and longer-term support than participants in other programs. Moreover, people who take training and find a job usually have a variety of supports in the new workplace, such as managers and co-workers. Microentrepreneurs, by contrast, often operate in relative isolation.

Entrepreneurs also face a range of pressures and challenges not experienced by employees – e.g., decisions and choices as well as financial uncertainty. The self-employed pay double the employee contributions to the Canada Pension Plan – contributions that have been rising rapidly in recent years because of the policy decision to shift from ‘pay-as-you-go’ to ‘steady-state’ financing [Battle and Torjman 1999]. Moreover, self-employed individuals who go bankrupt have no access to EI because they are not entitled to pay into the program in the first place.

Another serious weakness arises from the province’s desire to finance self-employment from welfare savings. A serious self-employment program should be thought of more as a community

development initiative than as an employment program. Community structures capable of supporting microenterprise development are required.

***time lags***

Respondents raised several other problems – such as the inordinate length of time it can take to get replies from OW caseworkers and other programs, and how these delays often result in missed opportunities. Clients have lost jobs awaiting approval for the purchase of certain equipment or improvements in essential tools. Ironically, the program expects quick results, but does not operate with great speed in making crucial decisions that profoundly affect people’s lives.

***inadequate payment to trainers***

The design of the self-employment pathway is flawed from the perspective of delivery agents as well. The program does not make it financially viable for the agencies providing self-employment training to invest the time and resources required to give participants a reasonable chance of succeeding. At issue are both the level of funding and the manner in which payments to these agencies are structured. The current system actually creates disincentives to providing the services required to enable individuals to succeed.

Brokers are the agencies providing self-employment training and support. They currently are reimbursed for their services in two ways: upfront fees and a portion of the welfare savings achieved when individuals reduce their reliance on social assistance.

Brokers are paid a certain amount each time participants pass pre-established milestones. These include finishing the formal business training component of the program, completing an initial business plan, making the first dollar in sales and reaching a second plateau in dollars of sales. The total upfront fees amount to \$1,500. Brokers also are paid 25 percent of the welfare savings that result from their clients replacing welfare benefits with earned income. This 25 percent is paid to brokers for the first year after participants have gone through the self-employment pathway.

A better approach might be to increase substantially the amount in respect of welfare savings that brokers receive. If, for instance, brokers stood to receive 100 percent of the welfare savings for a three-year period, they would have sufficient incentive to absorb higher upfront costs. The earnings that brokers could make by helping participants achieve long-term success likely would justify

the initial investment. It was noted that the annual contract for services used by the EI self-employment program is a preferable arrangement.

One respondent concluded that in order to remain financially viable, self-employment organizations will have to limit their investment in clients who require lower levels of support. Most participants will have to fend for themselves. The likely outcome is that the service providers may be financially viable, but few participants will succeed in the long run.

The following example was provided to illustrate the point. Of the 100 people who attend an introductory session about self-employment, 50 probably will quit right away, 30 will get to a point of earning their first dollar in sales, 20 will carry on for some time beyond the initial sales and five “will really take off.” In order to increase substantially the number of long-term successes, brokers must provide extensive counselling and technical support.

Under current arrangements, it makes more sense financially for brokers to limit their investment in clients. Brokers collect whatever upfront fees can be achieved at this limited investment and take their share of welfare savings from the small number of clients who are able to “make it” with minimal assistance. Participants who do not enter the program with a business plan or an idea that is almost ready to launch basically are not provided the services they require. Self-Employment Development Initiatives in Toronto has proposed a redesign of the self-employment option along with a revision of the associated fee schedule to improve this component of OW [SEDI 1999].

#### *g. missing pathways*

Another serious problem is the substantial number of people who do not fit any of the pathways. The approach is one of self-help for the shortest route to employment. There are few supports for individuals who require more assistance.

Several caseworkers pointed out that two-thirds of OW participants are ‘pre-employable’ and the program does not know what to do with them. A large proportion of OW clients are as employed as they ever will be. “Ironically, the Ontario Works’ focus on rapid labour force entry and dismissal of longer-term training and education would work best for those who need it least – relatively well educated or highly skilled workers. Most Ontario Works participants do not fit this category” [Workfare Watch 1999: 5].

One respondent noted that the introduction of Ontario Works should have generated an increase in referrals to literacy and basic educational programs, but this has not been the case. The

reasons are unknown, but there are questions as to whether these people are being forgotten in a system predicated on high-functioning participants.

There also appears to be a missing pathway between training and self-employment. This component can be referred to as ‘training businesses’ – i.e., market-driven businesses that combine regular hours of work with life skills training and personal support. In Ottawa-Carleton, for example, some OW participants are involved in a business housed in a church which provides free space. The business consists of two key components: catering and crafts.

The catering stream specializes in vegetarian cooking. The church is equipped with a commercial kitchen and one of the members of the congregation who is a chef provides mentoring to the group. In addition to generating small amounts of income, the business helps participants learn new cooking skills, encourages literacy through reading recipes, provides low-cost meals to participants and acts as a support to group members.

The second stream of the business focusses upon the production of stained glass, fabric art and decorative cards. The church allocates workspace and promotes the products. These businesses help participants learn a marketable trade and business skills. Their sense of self-worth also is heightened immeasurably by participation in these programs.

While these types of training businesses have social value, the income they generate is not sufficient to provide a living wage. Training businesses teach work skills and provide social support. There is no recognition within OW of the value of this approach. In the words of one respondent: “There are no boxes for it.” For some people, these programs are a springboard for employment or entrepreneurship; for others, their participation is as close to employable as they will ever be.

Several respondents spoke about training businesses in other parts of the country. A janitorial business in Victoria provides intensive training and work experience for street kids. It takes between \$4,000 and \$5,000 to help one individual leave the streets. Respondents pointed out that these businesses are effectively a form of pre-apprenticeship training – although they typically are not recognized as such.

The City Links program in Calgary teaches work skills to hard-to-employ individuals by enabling them to do home repairs for low-income people and seniors in the community. The program has worked with 1,300 households and participants to carry out 25,000 jobs per year. Between 70 and 80 adults spend up to a year involved in the work and get vocational counselling at the same time. City Links wants to expand its model to other communities, but finds it difficult to secure startup funds to bring the project to scale.

Finally, it was noted that there is no room within Ontario Works to set up co-operative businesses. Participants either must find work with an outside employer or become self-employed. As in the case of training businesses, there is no step between these two options. If a group wants to work collectively as a co-op, which is the pattern in other countries, they are not eligible for the training or self-employment funds available through OW or other programs.

### *Additional barriers*

In addition to the barriers embedded in specific programs, there are barriers related to specific services and certain groups. Outlined below are the problems that respondents identified with respect to child care and those faced by newcomers to Canada (i.e., immigrants and refugees).

#### *i. Child care*

##### *a. two streams*

There are two major streams of child care in which the Region is involved: Ontario Works child care and general subsidies. The first category, for Ontario Works participants, is temporary child care which can involve the provision of care within a licensed home or the payment of funds directly to parents to allow them to make private arrangements. ('Licensed' child care is regulated by provincial legislation and is subject to regular inspections for the quality of care and the safety of children.) Under the second category, the Region contributes to child care subsidies that help low- and modest-income households, which may or may not be involved in Ontario Works, pay for licensed care.

The financing arrangements for these two streams of care are complex and are not described here. Moreover, respondents who spoke about the problems with respect to child care did not differentiate between assistance for OW families and that available to other households. Nonetheless, there are several common problems that affect all clients. The issues identified here do not comprise an exhaustive list; they are exemplary of key concerns in this area.

When it comes to child care, it is in a household's interest to be on Ontario Works. OW participants typically get relatively quick access to child care – either through placement in licensed care or direct payment for private arrangements. The Region will try to provide immediate assistance for child care if it will help participants meet their OW requirements.

***b. inadequate supply of licensed care***

The lack of licensed, affordable child care is a serious barrier to training and employment. Inadequate supply has been cited as a major problem in countless reports as well as a province-wide consultation organized by the Ontario government. The shortage of high-quality, affordable child care was described by one respondent as a “profound barrier that cuts people off at the knees.”

The tight supply problem becomes even more difficult for parents with children with physical or mental disabilities. Caregivers may be reluctant to accept these children if it appears that they require substantial additional care. And there is scarce subsidized child care for the francophone and rural populations. One respondent expressed concern that the lack of child care has forced some mothers and their children to move back with fathers who have been abusive or to unsafe situations. (It should be noted that the Region does provide emergency services for families that have witnessed violence; they can obtain another licensed space without going on the waiting list.)

Respondents also noted the lack of short-term child care. Parents actually may have a good arrangement, but it can break down temporarily if the child or caregiver is sick. While some large employers are beginning to provide temporary child care, smaller employers typically do not. And even when large employers do make available this service, parents must pay part of the cost – which is often prohibitive for low-income earners.

The shortage of subsidized child care not only keeps people out of the labour market. It also can result in job loss. One mother put in a request to Ontario Works in September for a child care subsidy. She got a reply in November and had long since lost the job. (It is possible that the problem raised by this respondent was due not to a shortage in supply but rather to an administrative delay.)

***c. rigid rules***

In addition to problems of access, there are barriers which arise from the rules that govern this service. Under the Ontario Day Nurseries Act, licensed subsidized child care can be run only outside the parental home. Subsidies are not available for households that choose to have caregivers come into the home. Parents with caregivers who provide full-time care at home effectively become employers and must pay minimum wages, EI premiums, Canada Pension Plan contributions, and holiday and vacation pay.

The outside-the-home provision creates special problems for families with several children. This arrangement may be disruptive to children – e.g., they may be rushed to get to school on time from the caregiver’s home; they are unable to nap in their own bed; or they may not have access to a quiet place to do their homework after school. Sometimes the siblings must go to different caregivers, creating transportation and timing problems for the parents. The more children in a family, the more difficult it is to match appropriately the caregiver and the household.

In order to minimize these ‘logistical’ problems for families, the Region is exploring the possibility of approving licensed care in the parent’s home on a case-by-case basis. The Region also is considering ways to encourage part-time and flexible child care, especially evenings and night-time for people who do shift work. If licensed care is to move beyond the 7 a.m. to 6 p.m. time frame, there are many unresolved issues around extending the administrative structure to nontraditional hours. There are administrative issues, for example, around adequate monitoring and supports for the caregiver. There is also concern about the safety of staff who have to travel to these homes at night.

#### *d. inflexible hours*

Requests for part-time and part-day care are increasing because of the needs of a changing labour market with nonstandard hours. But despite the growing demand for nontraditional hours of service, it is difficult to find caregivers who can accommodate that need.

Licensed group care tends to be particularly inflexible. Most group care operates Monday to Friday, 7 a.m. to 6 p.m. Sometimes parents are encouraged to fill up their schedule just to ensure that they do not lose access to their child care subsidies – e.g., parents who work three days may be urged to carry out job searches for the rest of the time. One respondent pointed out that she risked losing her child care arrangement because English as a Second Language courses are not long enough to cover the full-time care requirement. (Administrative discretion may be used in special circumstances.)

It was noted that some parents may be on job search three days a week with the expectation that the time they require for licensed child care will increase when they get a job. But then the caregivers may not be in a position to accept a child for less-than-full-time care. Most caregivers need a full complement of children in order to run a financially viable business and it may not be in the caregivers’ interest to take in a child for only three days a week.

It also may be difficult to accommodate parents’ needs when they eventually do find a job. They may have to change caregivers when their schedule shifts, for example, from a three-day to a



five-day arrangement. Parents may have developed a strong rapport with a certain caregiver, only to find that the family must start a new relationship all over again with a different individual.

***e. financing problems***

Respondents identified a number of barriers arising from the subsidy arrangements for child care. The rate structure is complicated and there is not enough money to match private market rates. Subsidies can be used only for licensed caregivers. But many caregivers are unwilling to become licensed because a percentage of their income must go to the licensing agency for administrative fees. The result is that there may be no licensed care in a given school area and parents must seek private unlicensed arrangements. An example was provided of a caregiver in the Glebe who will not accept subsidized children.

Several financing changes recently have been announced that will have the effect of tightening up even more the funds available for child care. These new provisions will further destabilize the delivery of service.

For example, many caregivers themselves are OW participants. The work is good for their self-esteem and these caregivers represent an important supply of child care providers. They are currently able to exempt part of their earnings. But Ontario recently announced its intent to reduce the variable component of the earnings exemption from five years to two years, after which time any outside income will be 'taxed back' by the welfare department at 100 percent. It is likely that many caregivers will give up this work if they are unable to keep most of their extra earnings. The supply of child care providers will shrink even more.

A financing problem arises as well from the current 80-20 provincial/municipal split for licensed child care. To help municipalities with the increased costs they had to assume as a result of the provincial 'disentanglement' exercise in 1996-97, Ontario allowed municipalities to include parental child care fees as part of the local 20 percent contribution. In its spate of announcements in November 1999, the province indicated that municipalities no longer would be allowed to count parental fees as part of the 20 percent municipal contribution toward child care subsidies. This move will have the effect of increasing the municipal bill for child care.

Another recent provincial move threatens the child care system. The Region has allowed parents with no workplace pension to contribute to an RRSP and not count these savings as assets for the purposes of calculating child care subsidies. But Ontario has announced that it no longer will permit this practice. The policy change means that parents must run down their already-low assets; there is virtually no way that households can create any form of personal safety net. This 'bare

bones' approach leaves parents operating on the edge; it also means that they have no way of saving for their financial future.

## *ii. Newcomers to Canada*

### *a. additional barriers*

As if this description of policy gaps and barriers were not long enough, there is yet another layer of barriers for certain groups. Newcomers to Canada are particularly vulnerable. Not only do they face the same haphazard disjointed system as other groups, but they experience added problems arising from their citizenship status and language requirements.

The structure of the employment system also presents a barrier. The more generous programs are targeted at EI clients. Another set of measures is intended for people on welfare. There are also special federal and provincial funds targeted toward youth. The majority of newcomers do not fall into any of these categories. They do not qualify for EI and have no access to training money. The only way they can get funds for training is to apply for Ontario Works. They are not even on the food chain.

### *b. language barriers*

Several respondents noted that many newcomers are able to acquire Canadian citizenship with very low levels of English comprehension. While they may gain citizenship, they actually lose access to many of the settlement programs available at no charge before they became citizens. French as a Second Language, for example, is funded by the federal government. But as soon as newcomers become Canadian citizens, they lose access to this service and to the literacy programs supported by the province (described above). Newcomers also must be able to speak basic English or French to access literacy programs.

Problems with English as a Second Language constitute another barrier. Several respondents felt that the quality of ESL programs is not good. The poor quality of ESL affects test scores of children in school. The fact that the parents of these children are not competent in English affects the children who are growing up without parents to help them adapt to the mainstream culture. Their education and long-term job prospects suffer as well.

Another problem is that few language programs train people to be bilingual. The programs focus on only English or French. Yet bilingualism is an important skill in the National Capital Region.

As earlier noted, employment resource centres run by the federal government are based on the self-help concept. New Canadians often feel uncomfortable using these services; their language skills typically are not good enough. One respondent noted that she ensures all her clients are tested at the Immigrant Language Assessment Centre before they apply for EI. When they get their first cheque, they go to the assessment centre for the results and they do career planning. It takes 12 weeks from applying for EI to get approval for training. If they try to do it without the assistance of a vocational agency, it takes double the time.

When the unemployed first apply for EI, ideally they should encounter a simple, user-friendly process. But the application process is often difficult – especially for persons with language or learning barriers. A respondent pointed out: “EI counsellors often go through a complicated story even though the person barely understands a word. Sometimes interpreters are brought in – but this is not necessarily the case.”

There are missing links between basic literacy and adult education. Many people, particularly new Canadians, are not comfortable in adult education programs. There is a gap between attaining basic literacy skills and being able to go to an adult education class for upgrading. Literacy training rarely is tied to a broader employability strategy. In the words of one respondent: “Immigrants doing literacy training to find a job should learn to calculate using an invoice or something from the real world – not a textbook.”

### ***c. no recognition of credentials***

Perhaps the most pressing problem is the fact that immigrants with credentials from another country cannot work here because their training is not recognized in Canada. Equivalency of credentials is one of the biggest barriers to employment. Several respondents pointed to the need for a good evaluation system that carefully assesses backgrounds and that recognizes knowledge and skills acquired offshore. “Immigrant experience and qualifications should be assessed as soon as they arrive so they can move on and contribute.”

In one local health centre, for example, it was noted that a woman who is an administrative assistant is actually trained as a nurse. To practise nursing here, she would have to “jump through

hoops and pay an administrative fee to get a license. She has no money, no energy and no time. Why bother? These sorts of conditions just create more marginalization in society.” The problems with respect to access to credentials are documented in the report *Immigrants Need Not Apply* [Brouwer 1999].

The difficulties are exacerbated for refugees, most of whom have no asset base and face additional barriers because they lack formal citizenship status. Their problems are discussed in the report *Refugees in Legal Limbo* [Brouwer 1998]. Convention refugees face another barrier: They are not eligible for student loans under the Canada Student Loans Program and associated provincial programs. (Convention refugees are individuals who have been recognized by the Immigrant and Refugee Board and are now waiting to be granted permanent resident status.) The problem is explored in the report *Equal Access to Student Loans for Convention Refugees* [Brouwer 2000].

### ***Barriers to Job Creation***

A second stream of barriers involves not so much the obstacles embedded in individual training or job-readiness programs. Rather, they are barriers that individuals and organizations face when they try to create new job opportunities, including self-employment and community economic development.

#### ***i. Self-employment***

##### ***a. challenges in moving to scale***

The previous section identified barriers to self-employment that arise within both Employment Insurance and Ontario Works. This section includes additional barriers faced by many individuals trying to start a business, whether or not they receive some form of income assistance.

Several respondents spoke about the difficulty of creating a viable business when they are virtually on their own with no resources. One informant told the story, for example, of a woman trained in pickling. Her product was shown at a trade show at which she received 14,000 orders. The instant success of the product almost created a crisis; she needed to find assistance very quickly in order to get the business ‘into gear’ and produce this quantity of product. But she could not start the process before she had the orders.

In short, entrepreneurs setting up a production microenterprise get caught in a Catch-22. They cannot get support to start a business until they have sufficient orders to prove that they have a viable business. But if they get the orders and are not up and running, they cannot meet the demand and are bound to fail.

The case illustrates a general problem: How do prospective entrepreneurs get the required support to go to scale and make the business profitable? Sometimes a business works well as a training program but when it seeks to become an independent enterprise, entrepreneurs may encounter serious problems.

***b. low earnings***

Many people are able to supplement their incomes through self-employment. But they cannot earn enough to support their families on self-employment income alone. A family cannot survive today on \$9 - \$10 an hour, and low minimum wages are further reduced by income and payroll taxes [Battle and Torjman 1999].

***c. municipal bylaw restrictions***

Other barriers arise from municipal bylaws that restrict the establishment and growth of home-based businesses [Nares 1999]. Home-based businesses in most municipalities, for example, must be operated by residents who reside in that municipality. Employees who are non-residents may not be hired. This measure can limit the growth potential of the business.

Some municipalities do not allow retail sales from home. Technically, this policy also applies to direct mail businesses which are highly suitable for a home-based environment. Many municipalities do not permit the use of equipment in a home-based business that would not ordinarily be used in the home. This policy restricts the creation of small home-based manufacturing enterprises. Municipal bylaws are outdated in that they do not cover many emerging forms of employment, such as telework [Whittaker 2000: J1].

Home-based businesses typically are not permitted to make use of accessory buildings for storage or any other purpose. This restriction is especially frustrating for business owners who already have sheds or other buildings on their property that would be useful for their business. It restricts the use of home garages for small engine repairs and minor repairs to vehicles [Nares 1999].

Some municipalities do not permit signage or allow very limited signage for home-based businesses. These policies limit marketing opportunities and do not even consider attractive, quality signage that does not detract from the aesthetic appeal of the property. Taxes are also an important issue. Many business people who are paying for commercially zoned space feel that home-based businesses should pay a business tax or license.

Finally, people living in public housing communities face regulatory barriers to starting a home business. Local housing authorities have implemented clauses in the lease agreement between tenants and landlords that prohibit tenants from starting and operating a business. Violation is cause for eviction. Yet residents outside of public housing are permitted to operate a business from their home.

## *ii. Lack of capital*

### *a. widespread problem*

Perhaps the greatest barrier to business startup – whether self-employment or community business – is lack of access to capital. The fact that this issue was identified as a problem should come as no surprise. Even businesses that have the potential to earn millions for their investors find difficulty getting startup and investment capital. Small business entrepreneurs with little experience and few resources to back them up face almost insurmountable barriers.

The Canadian Chamber of Commerce surveyed 6,000 entrepreneurs to canvass their perceptions regarding issues related to business expansion and job creation [1994]. The survey identified three key barriers to doing business in Canada: debt and deficit reduction, problems accessing capital and high costs.

With respect to access to capital, in particular, small businesses – i.e., those with less than \$1 million annual revenues – were exposed to the greatest personal risk. Small businesses were more likely than larger companies to resort to personal savings, financial loans involving personal guarantees, and loans from friends or family when starting a business. When asked about sources of capital for business startup, personal savings, loans from family and friends, and money from a business partner were identified by 81 percent, 32 percent and 19 percent, respectively, of respondents [Canadian Chamber of Commerce 1994].

Sometimes prospective entrepreneurs do not even seek loans because they are afraid to go into debt. Respondents noted that people also need to feel confident that if the business does not

work out, the failure will not affect their credit rating. One individual suggested the creation of a subsidy program to help low-income people develop their products. Another option involves the creation of a community loan fund operated through a public-private partnership arrangement.

***b. need for venture capital***

Venture capital is required for business startup. One respondent pointed out: “We managed to get a \$14,000 loan to start a book recycling business. But to start with that level of debt is not right.” Equity capital, in which investors own a share off the business, is also required. It is a crucial piece that is missing in the policy context for community economic development. One respondent noted: “If I could change one thing tomorrow, it would be to have real commitment to an equity fund.” Community organizations also need funds for the purpose of loan guarantees or no one will invest.

The other problem is the short time frame within which small businesses are expected to start showing positive business results. “We get three months instead of three years to get a business going. We need to capitalize the business and should not even start thinking about paying back for five years and then take it out in shares.”

***c. access to loans***

Under the old federal Small Business Loans Act, organizations involved in community economic development encountered three major problems with respect to access to loans and capital. First, they typically were not considered eligible. Second, even if they were deemed eligible, they needed collateral or equity – which they often did not have. A third problem was not the result of the Act but nonetheless created barriers for community groups: Many businesses located in rural and distant communities simply had no access to banks.

Community organizations had been excluded from eligibility because the Act employed a narrow view of ‘business.’ Private entities and community businesses, in particular, did not fit this limited definition. In Parliamentary hearings into the former legislation, community organizations asked not for special consideration but simply to be included as eligible for assistance under the same criteria applied to other businesses. “We weren’t asking that the banks set up a special high-risk area over there for the community sector. We were just asking to be let in.”



The banks had opposed any expansion of lending to community economic development businesses because of the concern about high administration costs. They would have to do too much work for too little return. One respondent asked: “Are they going to spend their staff time on a ‘nickel’ contract or on a \$5 million loan? One hundred little deals might be the equivalent of one or two of the big ones but it takes 100 times longer to service. It’s almost like we’re too small for them.”

Community organizations proposed that in the absence of opening up the eligibility criteria, demonstration projects should be undertaken to prove the viability of their request. The federal government subsequently agreed under Section 13 of the new Canada Small Business Financing Act introduced in 1998 to set up a demonstration pilot. Its purpose is to determine the feasibility of providing small business loans to the community sector.

Several respondents noted the need to raise awareness about the importance of the community sector. “Financial institutions look at the return on investment. But somebody has to start putting some money up for social enterprise that looks at the returns to the taxpayers. Social value means that we don’t expect them necessarily to make a big profit or play by precisely the same rules of the game.”

#### *d. unfair tendering process*

Community organizations involved in business ventures face barriers not only with access to capital. There is a sense that they are discriminated against when contracts for services are tendered because they are seen to be less capable than the private sector. For example, large consulting firms get research, evaluation, outplacement and retraining contracts. Small nonprofit organizations could do an equally good job, but they tend not to be judged as similarly competent.

#### *iii. Charitable status uncertainties*

Finally, some community groups involved in job creation initiatives face barriers getting charitable status. The problem arises from the fact that the Canada Customs and Revenue Agency (formerly Revenue Canada) defines a ‘nonprofit organization’ as a club, society or association that is organized and operated solely for social welfare, civic improvement, pleasure or recreation, or other purpose except profit. This latter provision has created confusion around organizations involved in setting up community businesses.

The primary intent of community businesses is to help the unemployed learn new skills or gain job experience – but not generate profits. Several respondents noted that most businesses were lucky merely to break even let alone turn a profit. However, some businesses do bring in revenue and their charitable status came into question.

To help clarify some of the issues around charitable status, the Muttart Foundation in Alberta convened a small roundtable that included the Canada Customs and Revenue Agency. The Agency subsequently prepared a document to help clarify the activity deemed ‘charitable’ [Revenue Canada 1999].

Relieving and preventing unemployment can be considered a charitable purpose – especially when the unemployed have few resources and skills to find a job on their own. Persons considered hard-to-employ include those who have been out of the labour force for more than a year, older workers, those with a previous criminal conviction, welfare recipients, persons with disabilities, refugees and residents of economically challenged communities. The latter are geographically defined communities in which the unemployment rate has been 50 percent or more above the national average for two or more consecutive years.

The Canada Customs and Revenue Agency considers the following employment measures as charitable activities: job search assistance, career counselling, résumé or job interview preparation, establishing job vacancies, job matching and provision of funds for prospective workers to attend interviews or relocate. Organizations that set up businesses to provide jobs for the unemployed must demonstrate that any private benefit (i.e., profit) is a minor by-product of its programs.

The paper also considers the charitable status of training businesses, business startup loans, individual development accounts and charity stores. Basically, it appears that the Agency is prepared to confer charitable status upon measures that may resemble private market activity but whose primary purpose is not to generate private profit.

***Conclusion: The programs and the ‘system’ need repair***

There are countless barriers embedded in individual employment programs. But there are also far too many barriers that arise from both the underlying philosophy and gaps in the current employment system.

The federal government should take immediate steps to restore the coverage of Employment Insurance and ensure broader access to its employment measures. But more fundamentally, Ottawa should assume national leadership in developing a coherent labour market policy for Canada.

The government of Ontario should redress the many barriers within provincial training and apprenticeship, the Ontario Disability Supports Program and Ontario Works. It should modify current financing arrangements – both to provide adequate funds for training and employment measures and to ensure the financial stability of community organizations that deliver essential training and work-related programs and supports. The province should ensure the availability of key employment-related supports, such as high-quality affordable child care.

The Region should take immediate steps to remedy the barriers in the programs over which it has jurisdiction and should bring to the attention of the other levels of government the problems inherent in their respective programs. The Region also can take leadership to engage governments, employers, labour and trainers to determine how a more comprehensive and integrated system might operate at the local level. And it must continue to speak forcefully and continually to the need for national leadership and vision in tackling the barriers to employment and creating a highly skilled labour force in the knowledge economy.

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***Appendix A***

***Policy Barriers Survey***

This research is a follow-up to the earlier work that the Caledon Institute has undertaken on identifying policy barriers that keep people from moving into training or self-employment or that make it difficult for community groups to set up community businesses or engage in community economic development.

The original work was captured in a commentary entitled *Dumb and Dumber Government Rules*. It focussed primarily upon welfare rules. We would like to produce a similar document that captures the policy barriers in areas not covered in the original commentary.

We have developed a list of questions to help guide the next stages of this work. These are intended a guidelines only. There may be some areas that are not relevant to your experience. There may be some areas not identified here that are highly relevant to you. We welcome you to add any policy barriers that you believe are important.

There are two major streams of policy barriers that we are exploring for this research. The first stream focusses upon the policy barriers that prevent individuals from gaining access to training, entering the labour market or setting up a business. The second stream focusses upon the barriers that make it difficult, if not impossible, for local organizations to set up community businesses or work generally in community economic development.

Please note that while we recognize the fact that lack of funds is a key problem with respect to all the areas identified below, it is not the primary area around which we are seeking information. Rather, we are looking for the ‘Catch-22’ or ‘traps’ in existing rules that are getting in the way of helping people improve their economic and social circumstances.

***Barriers for Individuals***

a. Training Policy Barriers

Sample question:

Have any individuals with whom you have worked (or you yourself) ever experienced difficulty gaining access to a training program? If so, what was the program? What was the nature of the problem? Have you experienced or heard of individuals encountering difficulties gaining access to training because of policy barriers in any of the following areas?

- Employment Insurance (e.g., access to training dollars)
- disability income programs (e.g., restrictions on training; employment)
- student loans (e.g., restrictions on hours of study; type of study; repayment)
- high school leaving programs (e.g., lack of recognition of prior learning)
- apprenticeship programs (e.g., educational prerequisites)
- immigrant and refugee programs
- jurisdictional problems facing aboriginal Canadians
- other barriers
- possible solutions

b. Labour Market Policy Barriers

- disability income programs (e.g., loss of disability-related supports)
- immigrant and refugee programs/issues
- access to child care (e.g., subsidy rules)
- other barriers
- possible solutions

c. Self-Employment Policy Barriers

- lack of access to Employment Insurance and, by implication, parental leave
- lack of access to pension benefits; double CPP contributions
- lack of access to start-up capital
- problems with individual development accounts
- restrictive municipal bylaws
- other barriers
- possible solutions

***Barriers for Organizations***

- tax treatment of charitable status
- tax treatment of equity capital
- small business loan act
- diverse funding, evaluation and reporting requirements from various departments and levels of governments
- government methods of analyzing community business operations
- other barriers
- possible solutions



