



Here's a thought: The Canada Skills Grant

Jason Kenney has a problem. He has been handed the Employment and Social Development portfolio and told to deliver the Canada Job Grant. Eight months after the scheme's initial announcement, Ottawa has issued few details beyond the sketchy one page outline in the 2013 Budget. As Mr. Kenney has no doubt discovered, the proposed measure lacks details because there are none.

In theory, the Canada Job Grant would pay up to \$15,000 for short-duration training, paid one-third each by employers, the federal government and provincial (or territorial) governments. The employer would make a commitment to hire or promote trainees for at least one year upon completion of their training.

In reality, no one knows how this program will actually work. All sorts of critical questions remain unanswered. How will employers find qualified unemployed workers? Or is the Canada Job Grant for upgrading already employed workers? Do trainees get a living allowance? How will small employers with little or no training capacity come up with plans, let alone \$5,000? What happens if an employer does not keep his promise to employ a newly-trained worker for a year? How will

the federal government ensure the Job Grant goes to new training and is not used mainly by large employers as a subsidy for training they already provide?

The problems only begin with the missing program design. Paying for the Canada Job Grant is another major concern.

The federal government proposes to finance its \$300 million share by cutting funds it now pays to the provinces and territories for Labour Market Agreements. These Agreements were negotiated (by the Harper government) to train workers who are under-represented in Canada's labour force, such as recent immigrants, youth and Aboriginal peoples. According to the most recent evaluation report [Human Resources and Skills Development Canada 2013] these programs have been largely successful, with more than 80 percent of trainees employed. These training and skills development programs are especially important for the Prairie provinces where the rapidly growing Aboriginal population must become an active part of the labour force. Consequently, the provinces would be expected not only to ante up \$300 million for the Canada Job Grant, they would also come under intense pressure to

find an additional \$300 million to maintain existing training programs that are supported by the Labour Market Agreements.

The provinces and territories have unanimously rejected the Canada Job Grant. For what may be one of the few times in Canadian history, the provinces and territories have maintained their solidarity in opposition to a key federal initiative. Many simply cannot afford the added costs even if they thought the Job Grant was terrific. But they do not think it is terrific. As independent research has shown, it not clear that there are substantial skill shortages, except perhaps in localized areas and specialized fields [Burleton, Gulati et al. 2013] And even if there are present and future skill shortages, it is not self-evident how the needed skills (e.g., engineering) can be provided by short-duration training sponsored by employers.

So what should Mr. Kenney do? He can decide to soldier on, cut funding for the Labour Market Agreements, try and unilaterally deliver some version of the Canada Job Grant without provincial cooperation, perhaps cajole one or two provinces on side, but overall create chaos in the skills training sector. Or he can make another choice.

Not every policy issue has to be turned into a bitter ideological dispute. In a recent speech Minister Kenney said: “We need to ensure that we’re providing Canadians with the education and skills that they need to succeed in tomorrow’s economy” [Speech to the Economic Club of Canada, October 8, 2013]. According to the provinces and territories: “A highly skilled work force is essential to help our businesses grow in an increasingly knowledge based economy” [September 2013]. Everyone has the same goal – the only question is how to get there.

Instead of adamantly insisting that Ottawa has pulled the correct answers out of a hat in the form of the Canada Job Grant, the solution for Mr. Kenney is to take a pragmatic and evidence-based approach to the challenge. Let’s look at alternatives, test what works best, evaluate carefully and implement as effectively as possible to ensure that Canada’s workers are at least as highly skilled as any in the world.

One alternative approach which might gain the support of all stakeholders is to develop a new skills training program within the Employment Insurance system – a good renaming would be the Canada Skills Grant. The new Skills Grant would be permitted under the current *Employment Insurance Act* which allows for “innovative projects that identify ways of helping persons prepare for, return to or keep employment and be productive participants in the labour market.”

Rather than being funded through cutting training for vulnerable workers, the Canada Skills Grant would be financed through the Employment Insurance fund. The Employment Insurance fund is not now using the full amount that may be allocated within the fund for training and employment. According to the *Employment Insurance Act*, up to about \$4.4 billion dollars (equal to 0.8 percent of total insurable earnings of approximately \$554 billion) could be spent on employability measures, such as skills training, but only about \$2.1 billion will actually be spent this year.

At the same time, the Employment Insurance fund will have a large annual surplus for the foreseeable future [Bartlett, Cameron and Lao 2013]. This contrast between a deficit in spending on training and a surplus in funds seems inconsistent if, indeed, ‘the skills gap’ is a priority of the federal government. Paying for the new Skills Grant from the Employment

Insurance fund would reduce the fund's surplus by a small fraction, but this is all money collected from employers and employees and is meant to go back to contributors.

The structure of the Canada Skills Grant would borrow from the design of the well-regarded work sharing program. Work sharing allows employers facing the possibility of mass layoffs to instead retain current workers with a reduced work week while maintaining employees' income through a combination of wages and Employment Insurance benefits. Under the Canada Skills Grant, employers and employees could agree on a short-duration training program to upgrade their skills. The Skills Grant would pay for the cost of training, up to a ceiling. The employer would continue to pay at least part-time wages and the employee would receive supplementary Employment Insurance benefits while taking the skills training. The training would be required to lead to a recognized credential or certificate to make the new skills portable.

The Employment Insurance fund is made up of contributions from employers and employees, and the money from that source must, by law, be limited almost entirely to those whose contributions to the Employment Insurance fund have entitled them to a benefit. This would not be a problem for most workers who are currently employed, as almost all would be normally entitled to regular Employment Insurance benefits. It would also not be a limitation for those who are currently unemployed but who are or were in the recent past receiving Employment Insurance benefits, as they also are entitled to benefits under the existing training provisions in Employment Insurance.

For other unemployed workers who have worked and contributed to the Employment Insurance fund but are not entitled to

benefits because of current eligibility rules, the Canada Skills Grant could set a minimum threshold, for example, 360 hours of qualifying work. This provision would allow employers to access the Canada Skills Grant to train these workers, by hiring them part time during their short-term skills training program. This practice might require using the flexibility available in the *Employment Insurance Act* in an innovative manner to qualify these workers for the new Skills Grant.

In all cases, the employer would be expected to make a commitment to hire the trainee, if successful, for at least one year after the completion of training. By paying at least part of trainees' wages and guaranteeing a job, employers would have, as in work sharing, real financial commitments in return for the financial support from the Skills Grant and Employment Insurance.

The Canada Skills Grant initiative would be administered by the provinces and territories under their current Labour Market Development Agreements with Ottawa, which now pay for provincial/territorial employability-related benefits and measures under the *Employment Insurance Act*. The allocation for the Labour Market Development Agreements would have to be increased accordingly to accommodate the new Skills Grant.

The Canada Skills Grant is only one idea. Another idea for an alternative to the confrontational Canada Job Grant was proposed by the Mowat Centre in the form of a tax credit for training. Whatever alternative is developed, the key aim must be to formulate a plan working with all the involved parties towards the shared goal of a highly-skilled workforce and then to evaluate the results rigorously and objectively so we can adjust and change as needed to best achieve that goal. In the words

of the head of the Canadian Council of Chief Executives [Manley 2013]:

What Canada needs now is a comprehensive strategy to better align education and training with the skills employers need. No one player can do this alone. The federal government, provinces and territories, educators, parents and students all must be part of the solution. And of course employers have a critical role to play in signalling their future needs and effectively training their workers.

Michael Mendelson, Howard Green and Mike Luff

Michael Mendelson is Senior Scholar at the Caledon Institute of Social Policy. Howard Green is a Senior Advisor with the Ontario Nonprofit Network and was the lead federal negotiator for the implementation of Canada-Ontario LMDA. Mike Luff is a Senior Researcher at the Canadian Labour Congress.

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1354 Wellington Street West, 3rd Floor
Ottawa, ON K1Y 3C3
CANADA

Tel/Fax: (613) 729-3340

E-mail: caledon@caledoninst.org

Website: www.caledoninst.org

Twitter: @CaledonINST