



What You Need to Know About the Canada Job Fund

1. What is the Canada Job Fund?

- The Canada Job Fund transfers \$500 million a year from the federal government to the provinces and territories for six years, from 2014-15 to 2019-20, for labour market training. The amount of money transferred is based on population except in the case of Nunavut, which receives additional funds since it would otherwise not be able to provide any meaningful programming due its small population and large geographic size.
- The Canada Job Fund replaces the previous Labour Market Agreements.

2. What were the Labour Market Agreements?

- The Labour Market Agreements were six-year transfers to the provinces and territories to provide employment-related programming for persons not eligible for training under Employment Insurance Part II. Employment Insurance Part II is the section of the *Employment Insurance Act* that funds skills training, on-the-job work experience, employment assistance services and employment counselling for those eligible for Employment Insurance.
- The Labour Market Agreements began in 2008-09 and ended in 2013-14.

- \$500 million was transferred annually with an additional \$500 million over two years during the worst of the recent recession (2009-10 and 2010-11).

3. What did the Labour Market Agreements do?

- Funding was available for programs for both employed and unemployed people, without regard to Employment Insurance eligibility.
- The provinces and territories were responsible for designing programs under the Labour Market Agreements. The province or territory delivered some of the programming directly and some via contracts with third-party organizations. Third-party organizations might include unions, employer organizations, educational institutions, non-profit community agencies and others, depending upon the province or territory.
- Groups that usually have higher than average unemployment or underemployment levels were given priority; these include Aboriginal people, women, persons with disabilities and immigrants. Among employed Canadians, priority was placed on those with low skills, those without high school and those with low literacy skills.

4. Why did the federal government not renew these agreements?

- In March 2013, the federal government stated it wanted new agreements “to ensure that skills training funds are being used to help Canadians obtain qualifications they need to get jobs in high-demand fields” [Department of Finance 2013]. Ottawa announced that it would implement a new program called the Canada Job Grant providing a grant of up to \$10,000 to employers sponsoring training programs, with the employer expected to contribute an additional \$5,000 of their own funds to the training. Of the \$10,000 grant, half was to come from the federal government and half from the province or territory.
- Beyond a brief press release, Ottawa did not explain its decision to introduce the Canada Job Grant. It provided no evidence or studies to support its design of the Canada Job Grant and no examination of alternative models (e.g., a payroll tax or tax credit).
- Ottawa made a March 2013 evaluation of the Labour Market Agreements public only after it announced that the agreements would be terminated [Employment and Social Development Canada 2013]. This evaluation was generally favourable to the Labour Market Agreements, finding high levels of employment resulting from programs

funded under the agreements. However, the federal government focused its response to the evaluation on two less favourable findings – shortcomings in data collection and performance information and duplication across programs.

5. There was an outcry from Premiers when the federal government introduced the Canada Job Grant. Why was this?

- The federal government announced the Canada Job Grant unilaterally with no consultation with the provinces and territories.
- For at least the last decade, Ottawa and the provinces and territories had agreed that the provinces and territories, not the federal government, should design and deliver employment services, including training programs, in order to be responsive to the varying regional labour markets across Canada. The announcement of the Canada Job Grant contravened the federal government's prominent commitment to devolution of training programs to the provinces and territories.
- The original Canada Job Grant proposal required provinces and territories to use their own funds to match the federal and employer contributions of \$5,000 each per grant. The federal contribution would take its

contribution of \$5,000 out of the total amount transferred to the provinces and territories under the previous Labour Market Agreements.

- Most of the federal funds that had supported employment, employability, literacy and essential skills services would no longer be available to the provinces or territories.

6. When were agreements finally reached with the provinces and territories?

- With the appointment of a new federal Minister responsible for the Canada Job Grant proposal, Ottawa signalled greater flexibility on the use of funds and the design of the program. By early 2014, the federal government and the provinces and territories reached a compromise resulting in signed agreements by the fall of 2014 with all provinces and territories.
- Quebec has a separate agreement that transfers funds to that province but which permits the province to choose how it distributes the funding. Essentially, for Quebec, there is no change from the previous Labour Market Agreement. This is in recognition of Quebec's existing labour market training regime that was judged consistent with the Canada Job Fund in encouraging employer-sponsored training.

7. How does the Canada Job Fund work?

- What used to be the Labour Market Agreements have now been replaced with an agreement called the Canada Job Fund. The Canada Job Fund transfers funds to the provinces and territories to be spent on any of three streams:
 - 1) Canada Job Grant
 - 2) Employer-Sponsored Training
 - 3) Employment Services and Supports
- Of these three streams, the first two may be described as ‘employer-driven’ in that an employer decides who is trained and the nature of the training, and makes a financial contribution to the training.
- Provinces and territories can spend on any of the three streams as long they meet targets for employer-driven training spending. By year four, employer-driven training spending must equal 60 percent of the total Canada Job Fund.
- Should a province or territory not meet the spending targets, the remaining funds will be returned to the federal government or withheld from next year’s allocation.

8. How is the new Canada Job Fund different from the original Canada Job Grant idea?

- Initially, provinces and territories had to use their own funds to ‘match’ the federal government and the employer contribution. The Canada Job Fund permits provinces and territories to meet their targets by using funds from stream 2 – Employer-Sponsored Training, from provincial/territorial funds or from Labour Market Development Agreement funds transferred annually to the provinces and territories for training of persons eligible for Employment Insurance.
- Through stream 3 – Employment Services and Supports – the Canada Job Fund preserves some of the types of training and employability previously financed under the Labour Market Agreements. This arrangement will allow some financing to continue for employment-related services not sponsored by an employer, such as literacy and essential skills training. The programs in the third stream will be accessible for unemployed or underemployed Canadians who are unlikely to have access to employer-sponsored training. But because the funding for this stream decreases significantly over the life of the agreement, there will be much less

funding for these programs than was available under the Labour Market Agreements. This means a substantial decrease in Ottawa's funding for all non-employer sponsored programs.

9. How does the Canada Job Grant work?

- An employer decides which employee(s) require(s) training or which skills might be filled by training unemployed workers.
- The employer contracts a third-party delivery institution. These institutions include community colleges, private career colleges, union training halls and industry associations. In some cases, equipment manufacturers, software developers and private trainers (consultants) may be approved.
- Employers can spend up to \$5,000 per trainee for which they will receive an additional match of up to \$10,000 from the province or territory using a combination of Canada Job Fund monies and other funds.
- In most cases, the employer pays for the total amount of the training at the outset and then is reimbursed by the government for two-thirds of their expenditure.
- Large employers must pay cash as their contribution. For employers with fewer than 50 employees, one-third of

the employer contribution can be in-kind (i.e., wages or wage replacement).

- Training is to be of 'short duration' and, while not required as part of the Canada Job Fund agreement, is encouraged in several provinces to result in a credential.
- Employers may apply for multiple grants, but trainees may only receive one grant.

10. How does the Employer-Sponsored Training work?

- This element was included to lessen the financial loss to provinces and territories. It allows the provinces and territories to meet the spending targets under the Canada Job Fund by counting spending on existing programs involving employer-directed training.
- Programs that count towards the spending targets on employer-sponsored training include apprenticeship supports, wage subsidies or any other program where the employer decides who gets training and the type of training, provides a financial contribution and the training leads to a job.
- Provinces and territories have not issued statements about how they will implement this stream, making it

difficult to speculate at this time as to precisely how it will work.

11. How does the Employment Services and Supports stream work?

- This is the type of programming allowed under the former Labour Market Agreements and includes literacy, numeracy and employability training.
- In several provinces, community-based organizations have been assured of continued funding for the first two years of the Canada Job Fund. However, spending requirements in the other streams will limit the amount of money available for this stream over the life of the Canada Job Fund agreement.

12. Which provinces and territories have launched the Canada Job Grant?

- All provinces and territories have active Canada Job Grant websites except for Nova Scotia.

13. Which employers have received funding?

- To date, one public announcement has been made. A company in Manitoba, Oxygen Technical Services Limited, was the recipient of the first Canada Job Grant with the Prime Minister and Premier attending the announcement.

Fifteen employees will receive skills training and certification with a focus on managed services, cloud computing and Voice over Internet Protocol solutions expertise. Another seven IT jobs are expected to result from the training.

- Manitoba apparently has already allocated all its funds for the first year.

14. Is there a review process?

- In year two, the Canada Job Fund agreement will be reviewed and the results presented to the Forum of Labour Market Ministers. Among other areas, the review will look at employer take-up and phase-in, evidence of incremental training funded by the Job Grant, the return on public investment of the Job Grant and impacts on various types of trainees benefitting from the Job Grant.
- Performance indicators and measures will be developed during the first year of the agreement.

15. What happens to community-based employment and literacy groups?

- Several provinces had used Labour Market Agreement funds to support community-based employment and literacy groups. In Ontario and Nova Scotia, assurances have been received

that this support will continue for the first year or two.

- Given the spending targets required for employer-driven training, these funds will decrease over the life of the agreement.
- Community-based employment and literacy groups are not eligible to provide the training stipulated under the Canada Job Grant. In Ontario, some of these groups will receive provincial funds to outreach to the business community and, where there are fewer than 25 participants, to administer the grants.

16. What role do unions play?

- Union training centres are eligible third-party providers.
- Unions can facilitate applications from employers by raising awareness, identifying employees for training and ensuring quality adult education. This work can also be facilitated through sector councils and joint training trust funds.

17. Who are the ‘winners?’

- Employers – while currently the average employer expenditure on training is \$688, the Canada Job Grant has the potential to increase this spending. Public funds will be

directed to the private sector. There is no requirement to validate that the public funds do not replace what the employer usually would spend on training.

- The federal government – with spending targets in place and no provision for a phased-in approach, unspent funds will be returned to the federal treasury.
- Formal education and training institutions, including private career colleges – the formal and, in many provinces, legislatively recognized institutions are the favoured providers.

18. Who are the ‘losers?’

- Persons who are unemployed or underemployed and not eligible for Employment Insurance will be losers. There is little incentive for employers to pay for the training of people they do not currently employ.
- Individuals who work for businesses that have no interest or capacity to train employees will have no opportunity to participate in Canada Job Grant training.
- Losers include Canadians with low literacy and essential skills or no high school diploma; and equity groups including many immigrants, Aboriginals, women returning to the labour market and older unemployed individuals.

- Losers include agencies that provide literacy and essential skills as well as employability services. The first two streams of the Canada Job Fund represent a 180-degree shift from the Labour Market Agreements' focus on the most underserved and under-skilled.
- Public sector employers are not eligible for the Canada Job Grant.

19. What else does this change affect?

- When the Canada Job Grant was first announced, the federal government signalled that it would re-negotiate the Labour Market Development Agreements despite those agreements not having an end date. The Labour Market Development Agreements are to follow the spirit of the Canada Job Fund, that is, align with employer requirements.

References

Department of Finance Canada. (2013). *Budget Plan 2013*. www.budget.gc.ca/2013/doc/plan/chap3-1-eng.html

Employment and Social Development Canada. (2013). *Evaluation of the Labour Market Agreements, Final Report*.

Brigid Hayes

Copyright © 2014 by
Caledon Institute of Social Policy

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