

Six Ways to Improve the Proposed Canada Job Grant

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Introduction

The Federal Government proposes funding a proposed Canada Job Grant by renegotiating Labour Market Agreements (LMA). Provincial Governments oppose this, and argue that LMA programs are effective as they are, compared with the new, and as yet unproven, Canada Job Grant proposal.

We encourage both levels of government to reinforce their commitment to employment program funding at levels appropriate to serve all Canadians. First Work advocates for a sustainable youth employment network in Ontario, and for better employment supports for marginalized youth. As such, we strongly support the maintenance and constant improvement of existing LMA-funded programs, which serve the training and employment needs of marginalized communities very well. We also see merit in encouraging greater investment in training by employers, to fill skills gaps, and to improve Canada's labour market generally.

A recent paper by the Caledon Institute outlines a potential "Canada Skills Grant" which is fully funded with EI funds and therefore avoids reductions in employment and training supports across the country. We see great merit in that approach.

The Canada Job Grant has been designed to engage more employers in the training of employees across Canada as a means of filling skills gaps. Having worked with over 10,000 small and medium sized employers in the last year alone, First Work and its member agencies support the goal of the program to increase employer engagement and commitment to training. We also recognize the longer term challenge faced in many communities in Canada by a shrinking labour force and growing technical training requirements for a growing number of jobs. Finally, we recognize that there are sectors of the economy that are facing particular challenges in recruiting skilled workers, especially remote resource extraction industries.

We understand that the Canada Job Grant is characterized by

- matching funding, between businesses, the federal government and the provinces
- formal employee training in an accredited training environment

Our Position

Our 25-year history implementing employment and training programs and working directly with tens of thousands of small and medium sized employers tells us that small businesses need customized approaches. Any future Canada Job Grant must be designed with small businesses and the marginalized populations served by employment agencies in mind. This will more effectively accomplish what the Canada Job Grant is geared to. With this in mind we have developed six recommendations:

Six Ways to Improve the Canada Job Grant

- 1. Uncouple the Grant from the reductions in LMA funding. Fully fund the program with federal dollars (using EI funds). Maintain or increase investments in the existing programs that work for marginalized populations.**
- 2. Distinguish large businesses from small businesses.**
- 3. Shift the Grant's focus to long-term retention of trainees rather than up-front training costs.**
- 4. Revise the requirement for matching dollars to encourage in-kind contributions, such as on-the-job-training.**
- 5. Phase in the program more slowly to ensure it is effective and well managed. Work with existing employment agencies and employers to pilot an efficient and effective new program.**
- 6. Discontinue advertising the program.**

Recommendations Explained

- 1. Uncouple the Grant from the reductions in LMA funding. Fully fund the program with federal dollars (using EI funds). Maintain or increase investments in the existing programs that work for marginalized populations.**

Small employers repeatedly emphasize 'softer skills', such as communications, good attitude, and problem solving, as their top challenges with new hires. Since these are the skills taught in existing LMA-supported job and training programs, these programs should be maintained. This is the business case for existing programs, and suggests that any emphasis on formal skills training should be balanced with continued investment in soft skills.

- 2. Distinguish large businesses from small businesses.**

The key barrier to large business investment in training is macroeconomic stability and future estimates of growth. Thriving, profitable businesses do not need any government support to increase their investment in training, since they have integrated training support into their business plans at levels appropriate to their industry. As well, for most remote resource extraction industries, training is not the only barrier to employee attraction and retention. The Canada Job Grant currently does not distinguish between companies that need the support and those that do not, raising the spectre of unnecessarily supporting well off private companies with scarce public dollars. It also supports only training programs, when other interventions may be more effective at addressing current recruitment and retention challenges.

Small business' barriers to investment in training are different. These businesses resist investing in training employees because this represents a costly risk which may not be rewarded - trainees often leave after a short time or may be "poached" by another, typically larger, competitor. Small businesses are often unable to pay the wage levels of larger organizations in the same sector, especially in the trades and other sectors where there are both large and small employers. The Canada Job Grant reduces the cost associated with training. This reduces, but does not eliminate, the risks small businesses face. It also sees the government assume the same risk, a liability it may not be wise to incur. And while it does share the risk with employers, the program does nothing to reduce the risk of employees leaving and 'wasting' the training investment. So the proposed design only succeeds partly and at a high cost: small employers still carry a (reduced) risk of investment, while the government takes on some of that risk, without eliminating the risk at all.

3. Shift the Grant's focus to long-term retention of trainees rather than up-front training costs.

A better approach would be to provide incentives for employers and employees to stay in their jobs once they have been trained and hired. While not providing a guarantee, this longer-term perspective will directly address the financial risk associated with new hires. Employers would see reduced risk, since they would receive compensation over several years if their hires are successful, and the government would see reduced risk since their investments would be spread out over several years and only fully expended when outcomes were successful. By providing employers and their employees with incentive to stay in their job, such a retention program would provide a higher return on investment for training dollars which would increase businesses training investments. Revising the Canada Job Grant to be a retention grant that rewards employees and employers for their training investments one or two years down the road would directly address the risk small businesses perceive making training investments.

This approach has a system-wide benefit for government as well. It will diminish the likelihood that training prices will rise as tax dollars flow into formal training programs. As our network of employment centres has experienced while implementing many government-funded training programs in the past, prices for vocational and trades training rise to meet the maximum funding available through the training subsidy scheme. Private colleges in particular take advantage of government training schemes and raise their prices to maximize their income. The risk that government training programs will overpay for training is therefore very high. Shifting the scheme to spread payments and incentives out over two or three years will reduce this common problem and save taxpayers significant amounts of money.

4. Revise the requirement for matching dollars to encourage in-kind contributions, such as on-the-job-training.

Small businesses often have high expertise but low cash. Allowing owners and current employers to count their contributions to on-the-job training as a contribution toward a matching grant would allow many more small businesses to participate in a training and retention scheme. Contributions to on-the-job training are not difficult to verify, and agencies with experience overseeing small business employment programs have experience verifying these sorts of contributions.

5. Phase in the program more slowly to ensure it is effective and well managed. Work with existing non-profit service providers and employers to pilot an efficient and effective new program.

Both small and large businesses prefer to avoid government program paperwork as this raises their transaction costs for hiring. On the other hand, some paperwork is required to ensure accountability and verification of results. With the requirement of 3 partners at the table – both levels of government and the employer – the Canada Job Grant is guaranteed to come with significant paperwork and delays. Quite apart from the challenge of getting the timing of approvals to match the timing of formal training opportunities, small businesses will be reluctant to initiate the process to begin with.

A Canada Job Grant pilot, with a slow process to measure and phase in the program, would help mitigate this risk. This would provide the opportunity to explore what administrative challenges become apparent, and explore opportunities to reduce them as much as possible. The pilot should be tasked to non-profit community-based agencies who currently operate many of the employment and training programs across Canada and who have proven to be an efficient and effective partner in holding recipients of government money accountable for their actions. A slow pilot process will also enhance the value for money achieved by the new program design.

6. Discontinue advertising the program

Advertising labour market programs raises the expectations of employers and leads to their disappointment. The current advertisements disappoint small businesses because it makes them expect not only that there is a way to access the funds (when at the moment there is not) but it also entices them with money rather than focusing on the goals of the program, which is the increased investment in training. One of the most important ancillary goals of employment programs is the development of strong relationships with small businesses and their engagement in important community economic development initiatives. Undermining this relationship-development with inappropriate advertising undermines business faith in government programs.

Recently, again due to inappropriate advertizing, the community-based network of employment centres in Ontario has experienced wild fluctuations in demand for programs that cannot be met. Employment centres have spent a great deal of time re-educating misinformed employers and calming frustrated employers, rather than focusing on the goals of the programs. We strongly recommend the federal government discontinue advertising the program so as to not cause more headaches for those charged with implementing it. Marketing and advertising should be the responsibility of employment agencies and they should be given the authority and resources to implement what works.

What if nothing is done?

Many existing programs funded through the LMA agreements are well targeted to existing skills challenges. Many thousands of small and large employers are participating in the range of programs offered by provincial governments at this time. There is little urgency to change these programs as, contrary to some pronouncements, the current systems are working quite well. Several studies (Bank of Canada Business Outlook Survey 2013, HRSDC 2013 report)

demonstrate this. Provincial reports demonstrate the effectiveness, efficiency and the reach of many LMA supported programs as well. There is always a need to constantly improve. But there is little urgency to undermine current programs while building a new program from scratch.

Conclusion and Next Steps

First Work sees the potential to continue to support important LMA-funded programs while innovating with a new Canada Job Grant initiative.

First Work would be pleased to work with the Federal Department or Provincial Ministries on any potential pilot program, assess its impact, and share the lessons learned across Canada. First Work members currently operate in sectors facing acute staff recruitment challenges, including the forestry and mining sectors in northern Ontario. First Work also operates Evidence, our program evaluation unit, which can offer its expertise in monitoring and assessing the impact of new pilot programs.

First Work founded and leads the National Youth Employment Coalition. We also participate in a national coalition of community and union groups to address the Canada Jobs Grant. Finally, we are members of CCCBET (the Canadian Coalition of Community Based Employability Trainers). We would welcome the opportunity to engage these networks in innovative testing of new approaches that don't undermine current excellent work.

Respectfully,

The Board of Directors and Executive Director of First Work