

Summary of

## “THE CANADA JOB FUND

An overview of the federal transfer to provinces and territories”

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The Canada Job Fund is evolving. Official information is scant. This document contains information that was accurate as of August 18, 2014.

## 1. CANADA JOB FUND OVERVIEW

- The Canada Job Fund (CJF) replaces the Labour Market Agreement (LMA). This six- year agreement with the provinces and territories is for the same annual amount as the LMA – \$500 million/year with distribution of the funds based on population.
- The signed agreements between the federal government and provinces/territories provide the overall framework. However, each jurisdiction is responsible for developing the guidelines for spending the funds. Variations between jurisdictions are likely.
- July 1, 2014 was the agreed upon start date for the CJG. As of mid-August 2014, Alberta (AB), Manitoba (MB), Newfoundland and Labrador (NL), Nova Scotia (NS), and Prince Edward Island (PEI) had operational websites inviting employers to apply.
- The federal government has indicated that funds will flow to the provinces and territories once the CJG program is running.
- The CJF contains three elements: 1. Canada Job Grant (CJG), 2. Employer-Sponsored Training, 3. Employment Supports and Services.
- **Job Grant**
  - The employer decides who is trained, what the content of the training is, and who delivers the training.
  - The grant goes to the employer, not the individual.
  - Training is provided by third party institutions. A credential or certification is a performance indicator, but does not appear to be mandated. Press releases refer to training of “short duration” but this reference is contained not in available agreements.
  - Employers contribute one-third of the training costs – tuition fees or training provider fees, mandatory student fees, textbooks, software and required materials, and/or examination fees. Costs of creating a program or developing curriculum are not specifically mentioned.

- Only employers with less than 50 employees can use wage reimbursements or wages for up to 50 per cent their contribution.
- **Employer Sponsored Training**
  - Provinces and territories can use their own employer sponsored training programs to meet the employer spending targets under the Canada Job Fund. These programs must follow the principles of the Grant, i.e. employer driven.
- **Employment Services and Supports**
  - This refers to the type of programming allowed under the LMA, and includes literacy, numeracy, and employability training. This programming is permissible under the Canada Job Fund. However, provinces and territories are bound by complex targets for the Canada Job Grant spending and employer contributions, which will limit the amount available for programming unless additional provincial/territorial resources are used.
- **Issues and Concerns**
  - The Canada Job Fund favours employer determined training.
  - Should a jurisdiction not meet the required target for employer contributions, the funds would be returned to (or withheld by) the federal government.
  - Federal funding will depend on meeting employer take-up targets.
  - No incentive exists for training non-employees.
  - Providers who offer a credential/certificate will be more likely to provide the training.
  - The Employment Services and Supports element, while likely to be used in the first year of the CJF, will gradually fade away by year four.
  - The ultimate outcome will likely be a reduced transfer from the federal government, training for existing employees, a lack of opportunities for the unemployed, those with low basic skills and the underemployed, and a return of the challenges faced by those not eligible for EI Part II training.

## 2. COMMENTARY/OBSERVATIONS

While some provinces declared the final federal offer a success, in essence there is little difference from the original offer. While the inclusion “Employment Services and Supports” acknowledges the successful elements of the LMA, particularly the focus on those with weak skills and the most vulnerable, the amount of spending required to meet employer matching targets will displace innovative programs to the sidelines in the first few years and will be virtually non-existent in the last years of the agreement. The LMA target group of those with low skills will not benefit to anywhere near the same extent under the CJF. Overall, the CJF is far more restrictive than was the LMA.

How many employers will pay up to \$5,000 for training, especially for those who are not employees, is a question. According to the Conference Board of Canada, annual investment in employee training is \$688.<sup>1</sup> To meet the Canada Job Grant targets will require an increase of 627 per cent in employer spending. For companies with over 50 employees, the contribution is in cash and cannot be made up through wages or wage replacement. The figure of \$15,000 per grant does not appear to be based on evidence that employers will spend this much money. The UPSKILL project recently completed by Social Research and Development Corporation (SRDC), was a fully funded “Cadillac” essential skills training program which at best would have cost the employers \$2,500 per employee.<sup>2</sup> The possibility exists that employers will take advantage of higher priced training (likely for supervisors and managers) in order to gain full benefits from the CJG. Recall as well, that any amounts not spent under the Canada Job Grant will be reduced from future transfers.

Provinces and territories will face challenges in gaining employer support. Jurisdictions such as Manitoba, Nova Scotia, Alberta, Saskatchewan, PEI, and New Brunswick may have an advantage by having existing workplace education initiatives with connections to employers. Manitoba and Nova Scotia have sector councils that may be well positioned to mobilize employers and organize training. Private sector organizations have begun to solicit businesses to assist them in applying for funding.<sup>3</sup>

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<sup>1</sup> Conference Board of Canada. Learning and Development Outlook 2011: Are Organizations Ready for Learning 2.0? October 2011. Cited in The Canadian Chamber of Commerce. Closing the Skills Gap: Mapping a Path for Small Business, Report of the Symposium on Skills and Small Business. February 2013. p. 8.

<sup>2</sup> Social Research and Demonstration Corporation. Establishing the Business Case for Workplace Essential Skills Training. UPSKILL: A Pan-Canadian Demonstration Project. April 22, 2014. Slides for a webinar hosted by the Centre for Literacy. <http://www.centreforliteracy.qc.ca/learningevents/making-business-case-workplace-essential-skills-training-evidence-upskill>. Accessed August 12, 2014.

<sup>3</sup> LIFT TEMP BLOG. “The Canada Job Grant”. <http://blog.lifttemp.com/tag/canada-jobs-grant-2014/>. Accessed August 10, 2014.

Servicing small businesses will be a challenge, despite the relaxed requirements laid out in the agreements. SRDC's UPSKILL project concluded:

“The amount of release time that employers can make available, given their current business demands, is an important barrier to training. Small firms, with less than 20 employees, find it particularly challenging. In the UPSKILL project, even though a matching subsidy for release time was available (half of the release time, up to 20 hours per participant would be reimbursed) very few employers maximized this subsidy by providing the full amount of training available. Alternative approaches that better address workplace constraints, such as training through mentorship or with off-site cluster based delivery models for small businesses, should be explored<sup>4</sup>.”

Despite talk of how this scheme will boost the skills of those not working, little exists in the Ontario agreement to motivate employers to support non-employees. Partnerships arrangements grouping trainers, employers, industry representatives, and labour may be able to address the needs of non-employees. However, the federal government has spent the past few years closing down sector councils, the very organizations that could mobilize training of employed and unemployed people on a large scale.

Most troubling is the lack of specificity about who can be trained and what type of training is supported. There are no limits to training managers and supervisors, or to including higher skills training. More expensive training with larger employers may be the most efficient way to meet targets.

The Canada Job Grant does not provide support for the critical elements of organizational needs assessment, curriculum development, and program implementation. The UPSKILL project estimated that these costs are about 13 per cent of the cost of delivering workplace education and stressed the value of occupation/industry specific solutions and customized curriculum. If these costs are not generated by government, employers will likely turn to existing non-customized training.

The Canada Job Grant is a significant departure from the programming under the LMA. LMA programming was designed by each province and territory based on their own needs and requirements.

The Canada Job Grant is very specific as to criteria, costs, eligible clients, and activities, removing any provincial/territorial discretion. Manitoba, it should be noted has made

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<sup>4</sup> Social Research and Demonstration Corporation. “UPSKILL: A Credible Test of Workplace Literacy and Essential Skills Training, Highlights.” [www.srdc.org](http://www.srdc.org). Accessed August 18, 2014.

some additions to its CJG scheme by permitting alternative organizations to deliver training (equipment manufacturers, software developers and private trainers).

It is not clear what will happen to the 2014-15 allocations – will it be “business as usual” until provinces and territories sign agreements and develop delivery mechanisms? Minister Kenney told the House of Commons committee that the CJF funds were not included in the Main Estimates. He would include these in the supplementary expenditures in the fall once the agreements are signed. The federal government will not transfer funds without an agreement (according to the Alberta agreement) and delays will likely result in under spending in year one of the agreement.

Ontario has committed to no changes in funding levels for LMA type programs in 2014-15, but as a larger province, it is in a better financial position to do this. Smaller provinces and territories will probably require the federal funds to support activities under the CJF. While provinces and territories can use LMDA funds to supplement the Canada Job Fund, these funds come from premiums paid by employers and workers. At some point, there may be pushback about using these funds for people who may not have contributed to or not eligible for EI.

In conclusion, the CJF does meet the government’s objective to promote greater employer involvement, but does this at a cost. The likely outcome will be that employers will train their own employees; there is no incentive for individual employers to train people they do not employ. Creativity and collaboration will be required to organize groups of employers to offer training, the most probable means of training the unemployed.

The “problems” that the LMA fixed, the lack of services for the non-EI eligible and those with low literacy and essential skills, will become problems again with the CJF. By the last three years of the CJF, only 30 per cent of what was spent previously on addressing these services will be available, effectively returning to the 1996 state of affairs.