



Canada Jobs Grant: Bad for Alberta Workers

Executive Summary

The Alberta Federation of Labour (AFL) has conducted an analysis of the Harper government's proposed Canada Jobs Grant program and its implications for Alberta workers. We have many concerns, mostly centred around the proposal's effect on Alberta's marginalized workers.

Funding for the proposed Canada Jobs Grant would come from current programs that target marginalized workers, such as young people, indigenous peoples, and people with disabilities. Other programs that would be eliminated are those aimed at increasing numeracy, literacy and those aimed at people without high school diplomas or who are not eligible for Employment Insurance (EI).¹

The Canada Jobs Grant would take these funds and subsidize employers who have job vacancies. Under the proposal, the federal and provincial governments will give \$5,000 each to an employer who has a job opening and is willing to provide an additional \$5,000 for a total of \$15,000 for skills training. It's these large, wealthy employers that get to decide who gets training: only those workers they'll hire.

The Canada Jobs Grant will further marginalize Alberta's unemployed and underemployed workers. These workers are being passed over for stable, well-paying jobs, and sidelined in today's economy. There's no evidence to suggest that employers will suddenly start hiring marginalized workers even with the added incentive of federal and provincial subsidies for training.

The Canada Jobs Grant is a subsidy to businesses

The Canada Jobs Grant is supposed to help companies to train workers. The proposal envisions \$5,000 each from three parties: the province, the federal government, and the employer. If one of those parties doesn't commit the funding, then the funding falls to the wayside.

The federal government's portion will be from funds already transferred to the provinces for existing skills training programs aimed at vulnerable and marginalized workers.

The Canada Jobs Grant transfers funds from programs to help vulnerable workers, such as people with low literacy skills or indigenous peoples coming to urban centres from reserves, to large businesses. It scoops the cash from those important programs and hands it over to those who may need it least – and may not even use it – large employers who can afford to pay \$5,000 per worker.

¹ Government of Canada, "Labour Market Agreements," http://www.hrsdc.gc.ca/eng/jobs/training_agreements/lma/index.shtml

The programs that the Harper government is eliminating in favour of the Canada Jobs Grant include:

- Programs for young people
- Programs for people with low literacy
- Programs for people who are not EI-eligible
- Programs for off-reserve indigenous peoples
- Programs for people with developmental disabilities
- Programs for women re-entering the workforce after raising children

Alberta does not have an economy-wide labour shortage, but we do have shortages in a few trades tied to the energy industry. On the other hand, we have persistently high unemployment rates for youth and off-reserve indigenous peoples.

The AFL takes the position that in the context of high unemployment among certain populations and the explosion of the Temporary Foreign Worker (TFW) program, labour force training programs should be increased - not reduced. Furthermore, training programs should be led by the government because businesses will not hire marginalized workers without incentives. That's why these workers are marginalized in the first place.

Expanding training programs means jobs go to Canadians and permanent residents first - **before** employers turn to the Temporary Foreign Worker Program. The Harper government's Canada Jobs Grant scheme sets the table for a dramatic expansion of the Temporary Foreign Worker program, as Canadian workers' skills fall further and further behind.

The Canada Jobs Grant Funding Model

The Canada Jobs Grant proposal cuts \$300 million from the provinces' skills training budgets. It then asks the provinces to find an additional \$300 million in funding to match the federal money.

The Canada Jobs Grant is therefore a \$600 million hit to the provinces' bottom line.

Alberta would lose \$33 million in existing skills-training funding under the Harper government's proposal. In addition, Alberta would be asked to pay up to an additional \$33 million for a net impact of \$66 million.

With most provinces running deficit budgets and slashing programs – even oil-rich Alberta posted its sixth deficit in a row- the Canada Job Grant is unlikely to be adopted.

How the Canada Jobs Grant Is Designed to Work

Employers are asked to contribute \$5,000 per employee. The province and the federal government then kick in another \$5,000 each, but the private-sector funding must come first.

No employer funding means no grant.

No grant means no training for under-employed and unemployed Canadians.

In areas with high unemployment rates, the program will be an unmitigated disaster. Employers who cannot afford to hire workers will not be able to afford \$5,000 cash for training purposes. If no employers contribute, skills training programs will not otherwise be offered; unemployment's vicious circle therefore continues.

The Canada Jobs Grant is essentially a wholesale privatization of the federal government's role in skills training. Even if employers take advantage of it, the program robs money from public programs that help vulnerable populations and transfers it to a subsidy for the private sector.

The Canada Jobs Grant vs. The Temporary Foreign Worker Program

It is not clear why any employer would pay \$5,000 to train a Canadian citizen or permanent resident when they can pay \$275 to hire an already-trained worker through the Temporary Foreign Worker Program from overseas.

Detailed Background Analysis of the Canada Jobs Grant

The Canada Job Grant Program was announced as the "centerpiece"² of the federal government's 2013 Budget. The goal of the proposed Canada Jobs Grant is "to directly connect skills training with employers and jobs for Canadians."³ The Grant *requires* matching funds from provinces and employers.

The \$300 million federal portion of the proposed \$900 million program is to be funded by withholding cash that currently goes to provinces and territories through Labour Market Agreements.

Details of the Canada Jobs Grant Program are scant. There does not appear to be a backup plan in case provinces or territories don't sign on.

What we know about the proposed Canada Jobs Grant:

- Targeted towards unemployed or underemployed workers
- Eligible institutions include community colleges, career colleges and union training centres
- Provide up to 130,000 workers with training at eligible institutions
- \$15,000 or more per worker for training: \$5,000 each from an employer and federal and provincial governments (federal government's contribution is capped at \$5,000)

² Government of Canada, "2013 Budget – Economic Action Plan 2013: Canada Job Grant," <http://www.budget.gc.ca/2013/doc/themes/skills-competences-eng.html>

³ Government of Canada, "Economic Action Plan – Canada Job Grant," <http://actionplan.gc.ca/en/initiative/canada-job-grant>

- Federal funding contingent upon provincial and employer funding
- \$300 million in federal funding to come from funds currently transferred to the provinces through Labour Market Agreements
- Source of the funding is from general federal government revenues (while \$1.95 billion in Labour Market Development Agreement (LMDA) funds come from the Employment Insurance (EI) system)
- “Expected” to be in place for 2014-2015 as part of the renewal of Labour Market Agreements

What’s wrong with the Canada Jobs Grant

Double whammy on provincial budgets

The provinces and territories will lose \$300 million from Labour Market Agreement funding, but are being asked to find an additional \$300 million in matching grants to pay for the proposed scheme. Put another way, the federal government’s proposal will have a \$600 million impact on the budgets of provinces and territories.

No incentive for provinces with high unemployment

Provinces with high unemployment are being asked to pay for workers to receive jobs and skills training elsewhere. The proposed Canada Jobs Grant requires an employer to put in matching funds. It follows that jurisdictions with high unemployment won’t have employers willing or able to do so. There’s little to no incentive for provincial governments to spend money so that an employer in another province can benefit.

Employers hold the cards

The federal portion of the Canada Jobs Grants will require matching funds from an employer and the province. This will be especially problematic in areas of high unemployment. No employer, no Grant.

What about ‘soft skills’ and under-represented groups?

Many provinces currently offer numeracy and literacy programs, as well as programs targeting under-represented groups through Labour Market Agreement funding. The proposed Canada Jobs Grant will eliminate these programs and replace them with one that is employer-driven. These programs will likely fall by the wayside as employers will likely bypass these workers altogether and instead cherry pick workers with higher degrees of skills, both soft and hard.

Short-term approach won’t solve labour market deficiencies

Another concern is that the Canada Jobs Grant is limited to training of short duration. Short-term training will not address identified shortages of healthcare professionals or skilled trades, most of which require apprenticeships and/or study of at least four years. Pouring money into short-term training will not make a difference to skills shortages in these crucial areas.

Why bother when there's the Temporary Foreign Worker Program?

Employers may forego training Canadians and instead use the TFW Program to import labour. This could be cheaper and more expedient for the employer unless the TFW Program is greatly restricted.

What's Plan B?

There doesn't appear to be a 'Plan B' if provinces refuse to sign on. If one doesn't sign on, will that province's share go to the provinces that have signed on?

Why is the federal government spending money trumpeting a program that does not exist and may not every exist?

Why, indeed...the federal government has invested a lot of political capital, not to mention public dollars, in a program that doesn't exist and, in fact, may never exist.

Public funds to anti-union contractor groups?

Merit Contractors Association has training facilities for skills training. Now, there's nothing inherently wrong with that, but we've heard from credible sources that anti-union indoctrination is being taught in these facilities. We're concerned that the public funds directed to skills training may be used to support anti-union propaganda.

Current Alberta Labour Market Agreement Funding

Alberta gets funds for skills training through two agreements: the Labour Market Agreement (LMA) and the Labour Market Development Agreement (LMDA).

The Labour Market Development Agreement (LMDA) funds assist individuals who are eligible for Employment Insurance (EI), while the Labour Market Agreement (LMA) funds are for people who cannot access EI.⁴

LMDA funds, about \$1.95 billion worth, come from the EI Operating Account, while LMA transfers come out of the federal government's general revenues.⁵

LMA funding was never intended to displace provincial funding and there are a lot of differences with how provinces choose to spend these funds.⁶

Provinces vary in their approach to spending LMA/LMDA funds. Ontario, for example, integrates this funding into existing programs, while Alberta uses the funding for the following:

⁴ Canada-Alberta Labour Market and Labour Market Development Agreements 2012/2013 Annual Plan - <http://humanservices.alberta.ca/documents/canada-alberta-lma-annual-plan-2012-13.pdf>

⁵ Don Lenihan, "Can Jason Kenny pull off an outreach encore on jobs?," <http://www.ipolitics.ca/2013/07/30/can-jason-kenney-pull-off-an-outreach-encore/>

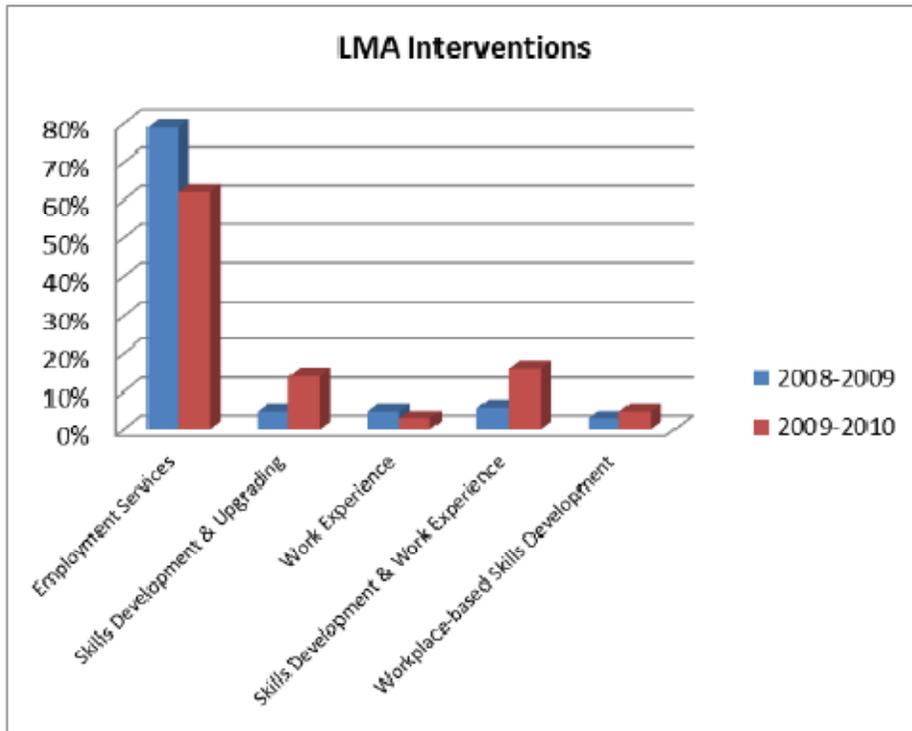
⁶ Canadian Literacy Network, "Labour Market Transfers and the Implications for Literacy and Essential Skills," http://www.nald.ca/library/research/clln/briefing_package/briefing_package.pdf

Program Area	Objectives	Activities (annotated)	LMDA Funding (in millions)	LMA Funding (in millions)	Client Volume
Employment and Training Program and Services	Increase opportunities for Albertans to make successful transitions from school to work, unemployment to employment and between career paths. Increase the capacity of Albertans to respond to changing skills, knowledge, and abilities essential to succeed in the current economy.	Develop targeted workforce strategies and initiatives to increase the participation of those under-represented in the labour force including Aboriginal people, youth, immigrants, persons with disabilities, low-income earners, and mature workers.	\$106.5	\$45	24,000
Immigration	Assist immigrants to access labour market opportunities and ensure they have the ability to be full participants in Alberta's society.	Provide information and resources to immigrants and potential employers to improve their participation and integration into the labour market.	\$0.7	\$9	1,900
Workforce Partnerships	Ensure working Albertans continue to enhance their skills through collaborative efforts with industry, employers, and community groups.	Work in partnership to enhance employer supported training. Develop and strengthen partnerships to identify and address labour force constraints and develop targeted initiatives to increase participation of under-represented Albertans.	\$1.5	\$6.9	800
Program Admin.	Supports program planning, delivery and management including systems design, and evaluations.	Ensure policies and programs are meeting client, stakeholder, and labour market needs.	\$9.6	\$6.1	N/A
Total			\$118.3	\$67	26,700

Source: Alberta government, "Canada-Alberta Labour Market and Labour Market Development Agreements 2012/2013 Annual Plan," <http://humanservices.alberta.ca/documents/canada-alberta-lma-annual-plan-2012-13.pdf>

Administration costs (8.5 per cent of LDMA/LMA of funding) are likely too high. Alberta is probably using this funding to support other areas of work within Human Services.

Of the initiatives listed above, the objective of the “Workforce Partnerships” is probably the most closely aligned with those of the proposed Canada Jobs Grant (i.e. to enhance employer-supported training), but gets only 4.5 percent of funding. Skills development and upgrading represented, on the average, about 12 per cent of LMA spending nationwide in 2009-10.



Source: Canadian Literacy Network, “Labour Market Transfers and the Implications for Literacy and Essential Skills,” http://www.nald.ca/library/research/cln/briefing_package/briefing_package.pdf

Alberta Federation of Labour proposals

Proposals	Rationale
Eliminate the requirement for employer funding, make employer funding voluntary with incentives like tax credits	LMA funds are for people who cannot access EI funds. These people are likely to be left behind if the program is employer driven. Provinces with high unemployment will likely not sign on to program that would see them provide funding to help employers in other jurisdictions fill vacant jobs.
Eliminate the Temporary Foreign Worker Program and replacement with a more inclusive system of permanent residency	Employers are more likely to turn to the TFW Program rather than spend \$5,000 on training a Canadian. TFW program is quicker, cheaper to access, and employers are more likely to keep worker for longer.
Maintain indigenous peoples as 'targets' for program funding; add women to list ⁷	Despite relatively strong representation in the labour market, Alberta women continue to earn less than men, are more likely to work part-time, and have longer gaps in employment due to child care responsibilities.
Separate LMA and LMDA funding and tailor programs designed for people accessing EI and for those unable to access EI funding	Alberta government mixes two funding streams into programs ostensibly designed to serve both groups (people who can access EI and those that cannot). This creates a bit of a hodge-podge in terms of desired outcomes.
Provide accurate and timely information on Alberta labour market and future needs	Government is 6 months late in providing labour market outlook after the AFL pointed out glaring deficiencies in the determination of supply/demand outlooks. Labour market information is one of the program areas to be supported within the LMA/LMDA agreement.
Provide grants directly to unions with training facilities to enhance the skills of their members	Many trade unions in Alberta have state-of-the-art training facilities.

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⁷ Manitoba, New Brunswick, PEI, NWT and Yukon identify women as targets for program funding