



DISCUSSION PAPER

**F-P/T CONSULTATIONS ON THE
LABOUR MARKET TRANSFER AGREEMENTS**

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CONTEXT

Current Labour Market Funding Arrangements in Canada

Employment and skills training programming and services in Canada are supported and delivered by both federal, provincial and territorial governments. The federal government provides almost \$3 billion annually to provinces and territories through four major bilateral transfer agreements to support training and employment programming for Canadians. The design and delivery of the programs and services funded under these agreements are the responsibility of provinces and territories. This includes programs and services for unemployed workers eligible for Employment Insurance (EI), individuals without recent or sustained labour market attachment (non-EI insured), low-skilled workers, employers, persons with disabilities, and older workers (*See Appendix 1 for details on specific agreements*).

In addition, the federal government designs and delivers federal programming for Indigenous Peoples, youth, and persons with disabilities. Provincial and territorial governments also dedicate significant investments to training, resulting in additional opportunities to support labour market needs.

The 2016 Federal Budget announced new investments for 2016-17 totaling an additional \$175 million. This is the first step in a plan to boost support for skills and training through the transfer agreements. To further ensure that these agreements continue to be relevant, flexible, and responsive to new and emerging labour market needs and priorities, the federal, provincial and territorial governments are collaboratively embarking on a process in summer 2016 to gather stakeholder input on these important investments.

The Changing Economic and Labour Market Context

Economies and labour markets throughout the country have gone through tremendous changes over the past twenty years. A shift to a more global, knowledge-based economy, along with shifting demographics and rapid technological advances are creating new opportunities and changing needs.

Rapid technological advances are impacting sectors that have historically anchored Canada's economy. The automation of knowledge work, mobile and cloud computing, the Internet of things, advanced robotics, autonomous vehicles and 3D printing are opening up new opportunities for start-ups as well as challenging established businesses to adapt. Further, as more cutting-edge technology becomes accessible, more and more Canadians are also creating their own jobs and becoming self-employed.

Employment growth is forecast to average 0.5 per cent in 2016 before rising to 0.8 per cent in 2017, which is below the current modest average of 1 per cent annual growth. Employment growth

further varies across provinces and territories, resulting in differences in employment prospects within regions and communities. At the same time, demographic trends are affecting the availability of workers, approaches to workforce development and human resources, and the ability to attract, expand and retain economic opportunities. The challenges of skills mismatches may become more intensified for under-represented groups who struggle with labour force attachment, poverty, a lack of education, skills or experience, and other barriers. The pursuit of new and innovative approaches to population growth, immigration, labour mobility, the labour force participation of Indigenous Canadians, of older workers, of persons with disabilities, of youth and others more distant from the labour market have become increasingly important as federal, provincial and territorial governments plan for and react to broader shifts in their labour markets.

The country's education and training systems are also being impacted by global economic shifts which are raising issues of labour mobility and the sustainability of rural communities, and challenging perceptions of good quality, high-paying, permanent jobs. More and more of Canada's GDP and export growth can be attributed to higher value trade in professional services, which tend to require higher levels of education. New trade agreements will inevitably create more opportunities for Canadian businesses, but they will also open the country up to more competition, putting Canada's labour productivity under increased scrutiny.

Canada's employment and skills training systems has evolved incrementally over the past twenty years into a complex arrangement of programs and services. In a vast country with a multitude of interconnected labour markets with distinct needs and challenges to address, flexibility, responsiveness and foresight are critical features to ensure the right mix of training and employment programming and services.

Consultation Purpose

Labour market transfer agreements support the design and delivery of provincial-territorial programs and services that respond to central daily concerns for Canadian workers, employers and governments, including:

- Finding and keeping a good job, supporting oneself and one's family and building a better future;
- Recruiting and retaining skilled employees who can help build and grow a business;
- Getting timely, reliable, accessible information on career prospects, job opportunities and available jobseekers;
- Ensuring individuals and employers are assisted to adjust to rapidly shifting labour market realities;
- Promoting access to employment and skills training programs and services to support the successful participation of underrepresented groups in the labour market, including persons with disabilities, youth, immigrants and Indigenous Canadians, while promoting broader economic and social inclusion;
- Strengthening connections between post-secondary and training institutions to ensure responsiveness to employers' needs, now and in the future; and,
- Building the resiliency of communities, promoting mobility, and adapting to changing economic and labour market conditions to better contribute to the prosperity of the country and its residents.

To inform current and future investments in employment and skills training programming and services funded through the labour market transfer agreements, in summer 2016, the federal, provincial and territorial governments are urging Canadians to share their views on how these agreements can better support labour market needs and achieve the desired outcomes of government investments. Governments will be consulting broadly with stakeholders, including organizations representing employers, jobseekers, students, service providers, underrepresented groups in the labour market, postsecondary and training institutions, think tanks, and individuals. In July and August 2016, a series of roundtables, federal, provincial and territorial-led public engagement sessions, and stakeholder submissions will take place.

KEY DISCUSSION THEMES

IMPACT (what do we need to do now)

Over the years, available results of the labour market transfer agreements have shown employment and skills training programs and services have had positive outcomes and impacts on clients, employers, and communities. While there are differences between the agreements, client types, and programs and services delivered, generally evidence suggests clients develop skills, get jobs, and maintain employment as a result of their participation. These findings demonstrate that programs and services funded under the labour market transfer agreements have been effective in meeting labour market objectives. At the same time, there is an opportunity to build on what is working well to further strengthen the effectiveness of these agreements in responding to varying labour market needs across the country.

To effectively support Canadians in preparing for, obtaining and keeping good jobs, governments need the right mix of programs and services, responsive to changing labour market conditions and able to address gaps and needs in the supply and demand for skills. To achieve these objectives, available programs and services need to be flexible, accessible and appropriately funded, facilitated by agreements that enable provincial and territorial governments to be responsive to regional and local needs while achieving mutually-agreed upon outcomes.

Ensuring that all Canadians are able to get the supports they need to return to and maintain employment is an interest shared by all orders of government. Eligibility provisions in the transfer agreements, however, channel funding to certain groups of unemployed workers. For instance, skills and training benefits under the LMDAs, the largest of the transfer agreements, are restricted to active and former EI claimants. Some stakeholders have called for a greater expansion of eligibility to help employers access a bigger pool of qualified workers, an initial program investment that could be offset over time by bringing into the labour force individuals who will be contributing to EI premiums once employed.

In past consultations, stakeholders have clearly stated that flexible training solutions are critical to support individual and employer needs that are responsive to local labour market contexts, which differ across the country. Supporting and drawing on the potential of a broad range of under-represented groups, including Indigenous Canadians, persons with disabilities, youth, recent immigrants and older workers, is also a shared priority for governments, with a recognition, in the face of demographic challenges, of the social and economic importance to advance their labour market inclusion. For instance, some jurisdictions with stronger economies may want to focus their training investments on those further from the labour market, supporting clients requiring pre-employment or more foundational training (i.e. essential skills) before attending formal or job-specific training. In other cases, the changing face of their economies means retraining skilled workers for new opportunities.

- Q1.** Given varied and changing labour market conditions, what should employment and skills training programs be trying to achieve and for whom?
- Q2.** Are current employment and skills training programs flexible enough to respond to the needs of a diverse workforce, e.g. vulnerable workers, youth, Indigenous Peoples, recent immigrants and others who need particular support? If yes, what in particular is working best, or how can these groups best be supported?
- Q3.** Are all Canadians, in particular jobseekers and potential jobseekers, aware of and able to access appropriate employment and training programs to find and/or keep a job? If yes, what in particular is working best? If not, who and why?
- Q4.** What are the employment and skills training needs that employers see as critical to address their workforce and economic objectives? What is the role of employers versus government?

INNOVATE *(future needs)*

Best practices, research and innovative ideas are critical to the ongoing process of improving the responsiveness, quality and effectiveness of employment and skills training programs and services. A measure of flexibility is needed in the labour market transfer agreements in order to allow for this innovation. Only one of the four major agreements provides for funding to be dedicated for innovation or research activities.

This being said, in recent consultations, stakeholders have made clear their support for innovation, indicating an interest in more funding being dedicated to test and evaluate different training approaches. In addition, there was interest in the establishment of and better coordination of existing centres of excellence to help groups, including those marginalized or underrepresented in the workforce, get the best support and encourage research and the sharing of best practices, both domestic and international.

To adapt and respond to a changing labour market, research, pilot projects and innovative ideas and practices will need to be further encouraged and invested in. As labour markets evolve over time, it is also essential for governments and stakeholders to develop and effectively share best practices and new ideas, making best use of available resources and lessons learned to be nimble and respond to emerging trends.

- Q5.** What innovative approaches and partnerships could be used to address emerging issues and needs in the labour market?
- Q6.** How could employment and skills training programs be more responsive?
(e.g. changing nature of work, increasing entrepreneurship, diverse workforce)

INFORM (what do we know)

Information is critical to achieving the objectives of employment programs and services in Canada. Information about labour market functioning, population changes, stakeholder priorities, concerns of average Canadians, and outcomes achieved from a pan-Canadian, provincial and territorial, and regional perspective helps to inform decisions on funding, program design, and service delivery that address local labour market realities.

In past consultations, stakeholders have stated government support for high quality and accessible labour market information (LMI) that is timely, detailed, and available at the local level is necessary to support evidence based programming and planning decisions.

Taking a pan-Canadian leadership role in advancing this objective will be the Federal, provincial, and territorial LMI Council of Canada, supported by a National Stakeholder Advisory Panel, which will advise governments on a range of LMI priorities including how to complement existing LMI, and develop innovative tools and ways of using LMI to support evidence-based decisions.

Improvements have also been made in recent years in stakeholder engagement to inform priority-setting and planning, as partners in the labour market. Federal, provincial, and territorial governments agree on the need and value in engaging relevant stakeholders to inform decision-making, from identifying priorities to designing and evaluating programs.

Canadian tax payers and premium payers who fund these programs and services also have an interest in information about outcomes achieved, the impacts of programming and whether the investments are providing value for money. Reporting has been streamlined in the past years across a number of transfers, but stakeholders demand better public reporting, requiring more transparent and meaningful indicators, comparable, where possible, across jurisdictions, to better understand program impacts and inform future investments.

- Q7.** What kinds of labour market information are most valuable in supporting planning and informed decision making? This could include:
- Information to support career planning for a jobseeker; or
 - Information for employers to support workforce development needs.
- Q8.** What forms of engagement with stakeholders work best? What approaches to outreach might be considered to improve the sharing of information between labour market partners?
- Q9.** What information do Canadians need to better understand the outcomes of investments in employment and skills training programs?

APPENDIX 1 - LABOUR MARKET TRANSFER AGREEMENTS

Labour Market Development Agreements (LMDA):

- The federal government provides \$2.1 billion in annual funding for the LMDAs, funded by EI premiums. The federal Budget 2016 has announced an additional \$125 million for these agreements.
- Provincial and territorial governments utilize LMDA funding to help unemployed Canadians find and return to work, and to assist in developing a skilled labour force that meets current and emerging labour market needs.
- Under the LMDAs, Employment Benefits enable current and former Employment Insurance (EI) recipients to gain skills and work experience through a combination of interventions such as training and wage subsidies. LMDAs also support the provision of employment assistance services, such as employment counselling and job search assistance, for all unemployed Canadians.

Canada Job Fund Agreements (CJF):

- The Job Fund Agreements provide \$500 million in annual federal funding to provinces and territories to support programs and services for all Canadians to access training and supports to participate in the labour market. Provinces and territories will receive an additional \$50 million in 2016-17 to invest in labour market programming.
- Job Fund Agreements support programming for unemployed individuals as well as low skilled existing workers who need training or supports to maintain or find a new job. The Job Fund Agreements also provide funding to employers to support training of new hires and existing workers under the Job Grant program¹.

Labour Market Agreements for Persons with Disabilities (LMAPD):

- The LMAPDs are cost-shared agreements that support programs and services to improve the employment situation of Canadians with disabilities by enhancing employability and/or increasing available employment opportunities. Provinces and territories receive \$222 million in annual federal funding to conduct programming for Canadians with disabilities.
- This funding supports programs and services that are designed and delivered by provinces and territories up to a maximum amount specified in each agreement, which is matched by each jurisdiction.

¹ Given its specific labour market partnership system and the various measures already established to support employer participation in workforce training and to improve alignment between training and labour market needs, Québec does not implement the Canada Job Grant.

Targeted Initiative for Older Workers (TIOW):

- TIOW is a federal-provincial/territorial cost-shared initiative designed to help unemployed older workers living in small, vulnerable communities of 250,000 or less by providing them with the skills and training they need to improve their employability and reintegrate into the labour market. The federal government provides \$25 million in annual funding to provinces and territories who design and deliver TIOW projects that meet their local labour market situations and clients' needs.
- In partnership with communities affected by high unemployment, significant downsizing/closures, unfulfilled employer demand and/or skills mismatches, TIOW provides a range of employment assistance services, such as resumé writing, counselling interview techniques and job search assistance as well as employability improvement activities, such as skills upgrading, work placements and preparation for self-employment