The Role of Governments in the Development of Human Resources Training for Employability: The View from Canada

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I. INTRODUCTION

THE TOPIC OF THIS SESSION - the role of governments in the training area - is of crucial importance to all of us. It is also an area where we all have much more to learn.

Industrialized countries are increasingly looking toward training as a means to reducing unemployment and maintaining a high-wage economy. A highly skilled competitive labour force is viewed as an essential, if not the dominant ingredient of prosperity.

The challenge for policy-makers is to sort out the roles of business, labour, and governments in the training area and to figure out how to make them work better together. In Canada, we are currently going through this process. My objective today is to provide you with a sense of

1. how the role of Canada’s federal government in the training area is evolving, and
2. to sketch out three roles on which the federal government is focusing:
   - assisting individuals undertaking training
   - facilitating the involvement of the private sector in training
   - providing the information infrastructure for more effective training

A. Global Context

Let me start by putting the above into a much broader context. We live in an era of global economic integration. The so-called "New Economy" is bringing about the globalization of markets for products, services, and labour, made possible, in part, by dramatic technological change, especially in communications and knowledge-intensive production technologies. Internationalization has led to intensified competition among firms and the expansion of transnational corporations, whose fortunes and interests transcend national boundaries.

In our individual countries, the revolutionary changes in technol-
ogy and organization of production are leading to the virtual disappear-
ance of some industries, the rise of new ones, radical changes in em-
ployment patterns, and extensive restructuring. For industrialized
countries, the focus is on how to adjust. Most are trying to put into
action the high-skill/high-productivity/high-wage model.

Training is a key element of this approach. There is no shortage of
advice on the roles for governments. Most of the advice, however, sug-
gests that governments should be focusing on the infrastructure for the
training system. The OECD Jobs Study (1994), for example, indicates
that governments should help create the frameworks for training, in-
cluding better information on the availability, quality, cost of training
opportunities, and the type and extent of knowledge and competencies
that are acquired in training. Similarly, the World Bank's World Bank
Report 1995 argues that “[l]ack of information about what skills are in
demand and the presence of scale economies in training are other
grounds for government involvement. . .” in training.

B. Canadian Situation

Let me now turn to the situation in Canada and provide you with
some facts that will help you to understand the context in which gov-
ernment’s role in training is evolving.

First, in the 1950s and 1960s, the Canadian unemployment rate
followed a path that was similar to the U.S. experience. Since then, the
Canadian rate has been higher. Over the last fifteen years, the gap has
widened substantially. At 9.5% today, representing about 1.4 million
people, Canada’s unemployment rate is about four percentage points
higher than that of the United States.

Second, we have a fiscal problem in Canada. Our federal deficit in
1995-96 is estimated at just over four percent of GDP. Our debt to
GDP ratio at about seventy-four percent. The government is aggres-
sively tackling the fiscal challenge. Its determination to act on it effec-
tively precludes us from attempting to spend our way to competi-
tiveness and any significant increase in employment levels. Spending cuts
were part of the set of measures implemented by the government.

Third, in terms of social and adjustment programs, Canada has
historically been positioned somewhere between the United States, with
its relatively low levels of spending, and most continental European
Countries, where commitments to social protection and community are
more deeply imbedded. With current fiscal pressures, however, Ca-
nada’s social programs are being re-examined and restructured. In ef-
fact, cuts have also been either announced or made respecting Unem-
ployment Insurance, employment, and social development programs.

Canada ranks high among the G-7 in the proportion of public re-
sources devoted to education and training. As a proportion of GDP,
Canada spends more on education (7.2%) than any other of the G-7
Canada ranks third with respect to spending on training (0.38% of GDP), behind France and Germany, and quite far ahead of the United States (the United States spends 0.07%).

When we look at the private sector, however, our employers still do not do as much training as their counterparts in other countries. Many in Canada, especially among small firms, believe that these relevant measures ignore informal training and underestimate actual investment in training.

C. Policy Direction

This environment sets the tone for the Canadian policy direction. When the current government in Ottawa came to power a little over two years ago, it did so with a platform in which concerns about jobs were paramount. Its starting point was that jobs come from growth and that strong growth cannot be achieved without an appropriate macro-economic stance. In this regard, it was clear that the fiscal imbalance was far too large and that the associated debt was undermining investor confidence and damaging competitiveness and employment objectives. Significant expenditure reductions were introduced and the deficit to GDP ratio is expected to fall to three percent in 1996-97, and to two percent in 1997-98.

In particular, the federal government is reducing substantially financial transfer to provinces in the area of health, post-secondary education, and social assistance. These decisions impact on provincial finances, which in turn may reduce their contribution to these various sectors, all under their jurisdiction. For post-secondary education, this will likely mean a rapid increase in tuition fees.

At the same time, the government set out on a microeconomic agenda that aims to foster the creation of more and better jobs for Canadians. Achieving sustained economic growth based on increased productivity growth is the underpinning of this strategy. The government’s microeconomic agenda includes:

- building a more positive entrepreneurial climate
- expanding our international markets
- creating an efficient/modern infrastructure, including the information highway
- supporting innovation in the economy, to ensure that it contributes to growth

The government also launched a reform of social programs to help Canadians get good jobs and build a stronger economy. On December 1, 1995, legislation for a fundamental restructuring of the existing Unemployment Insurance program into a new Employment Insurance system was tabled in the House of Commons. The Bill is currently being
studied by a Parliamentary Committee. The new system focuses on helping people get back to work and providing support to those who have lost their jobs.

The new Employment Insurance system consists of two integrated dimensions. Insurance Benefits provide temporary income assistance and have been restructured to encourage people to re-enter the workforce. Employment Benefits and measures will provide active re-employment assistance consisting of a modernized National Employment Service and five tools: wage subsidies, earnings supplements, self-employment assistance, job creation partnerships, and skills loans and grants.

The new Employment Insurance system also provides for a major re-alignment of the roles of the federal and provincial governments in the training area.

According to the Canadian Constitution, provinces have responsibility for education while the federal government has responsibility for Unemployment Insurance and helping the unemployed get back to work. In practice, however, the line is not so clear.

The federal government would, for example, purchase training courses for unemployed persons and thereby have major direct influence over training. It would also operate a network of Employment Centres and administer employment programs.

The roles are now being clarified. The Prime Minister has indicated that the federal government will adopt an approach that respects provincial jurisdiction in the field of education and the role of the provincial governments in labour market training. There is a federal commitment to withdraw from labour market training, apprenticeship programs, co-operative education programs, and workplace-based training leaving these areas to provinces.

From now on, federal funding for training would be made available only with the consent and agreement of each province. The federal government will no longer purchase training courses, whether from the provinces, public, or private institutions. As well, the federal government will seek agreement with each province on the design and delivery of the new Employment Benefits. The federal government hopes to harmonize these with provincial programs and eliminate overlap and duplication.

There are several reasons why the federal government is withdrawing from labour market training. First, training is very closely tied to education, which is the responsibility of the provincial governments. Second, training requires a strong link to local decision making if it is to be effective. Third, training must be responsive to the differing regional economies. The new approach increases provincial flexibility. Finally, the new approach can make training programs more effective because, instead of the federal government buying bulk training seats,
individuals can directly purchase the training that is most relevant to their particular needs.

Some believe, however, that this withdrawal, which will take place over a three-year period, combined with reduced transfer to provinces and funding cuts may negatively impact on the volume and diversity of training courses that will be available. This situation will be monitored closely. Under the new Employment Insurance legislation, the federal government is ready to introduce new mechanisms, such as loans and grants, if a province gives its consent, to assist workers and unemployed to access the training they need.

II. KEY ROLES OF THE CANADIAN FEDERAL GOVERNMENT IN AREAS RELATED TO TRAINING

These changes in the training area will serve to focus federal efforts on roles which are supportive of training, but not on the role of funding training itself. We have been increasingly active on these supportive fronts in recent years. I want to share with you some of our initiatives in the areas which I had mentioned earlier:

- assisting individuals undertaking training
- facilitating involvement of the private sector
- providing the information infrastructure

A. Assisting Individuals Undertaking Training

The new Employment Insurance Legislation will provide assistance to individuals in identifying their employment needs, locating services necessary to allow them to meet those needs, and if appropriate, sharing the costs of such assistance.

This principle affects the nature of the assistance that individuals undertaking training will receive. It is proposed that Employment Insurance claimants will receive employment loans and/or grants that will give them the resources to attend provincial or other accredited institutions to develop needed job skills. This employment benefit will be offered in any province only with the agreement of the provincial government. It could provide an appropriate mix of loans and grants to cover costs such as tuition, supplies, child care expenses, and transportation. They could also cover basic living expenses for people whose courses extend beyond the end of the receipt of their insurance benefits.

The benefit will respond to the claimants’ initiatives and personal career plan. While guidance will be available, individuals will essentially seek out the training course that they believe best meets their needs and job plans. This new approach builds on evidence that better results are achieved when people choose and contribute financially.
B. Facilitating Involvement of the Private Sector in Training

We all agree that the private sector should be involved in training. The real question is how to increase its involvement and make it more effective.

I would like to elaborate on two innovative and concrete initiatives which the federal government has been undertaking to facilitate involvement of the private sector in training - one at the national level, and one at the sectoral level.

About five years ago, we were looking at different ways for governments and the labour market partners - business, labour, designated equity groups, and the training providers - to work together on training and labour market issues. We thought that it would be useful to have the involvement of private sector groups to look at labour market issues, consult with their constituents, and provide policy advice to the labour market. After consulting with business, labour, and others, the Canadian Labour Force Development Board (CLFDB) was established in 1991.

The Board is directly funded by HRDC and is representational. It is composed of twenty-two members - eight from each of business and labour, and the remaining four from equity groups and training providers. Given provincial responsibility in the areas of education and training, the Board has granted non-voting seats to all provincial and territorial jurisdictions.

There are some value-added aspects to the Board's work. First, the research undertaken by the Board is very grass roots. Its special task forces gather information from, and consult with, their own people in the field at an applied level. Their work complements that conducted by academics and bureaucrats.

The Board has looked at and provided major reports and recommendations on such issues as Labour Adjustment (1993), Transition into Employment (1994), occupational standards (1994), and Career and Employment Counselling (1994).

Second, their reports have been consensus reports. The labour market partners work at possible solutions together. While consensus should not necessarily be an end in itself, there is a natural tendency to work toward agreement.

Finally, the Board's work acts as an education process for the labour market partners themselves - they learn about the activities of other labour market partners, about government programs and services, and about the difficult issues and policy tradeoffs.

Let me turn to the sectoral level and explain another one of our initiatives related to the role of governments in facilitating private sector involvement in training.

Joint labour-management sector councils, which focus on adjustment and human resource issues at the industrial sector level, are a
relatively recent development in Canada. None existed ten years ago, and most are less than five years old.

Sector council activity had much of its root in the crisis in the Canadian steel industry in the early and mid-1980s. A severe downturn in the industry, combined with rapid advances in steel mini-mill technology, placed intense pressure on conventional integrated steel producers in Canada. New capital investment, as well as idling of outmoded production facilities, led to massive layoffs in the industry. It was in this context that the Canadian Steel Trade and Employment Congress (CSTEC) was formed in 1986. The Congress provides coordinated union and management efforts to address emerging trade issues as well as providing adjustment programs, including retraining, for thousands of steel workers whose employment futures were clearly to be outside the steel industry.

With federal government support, union and management representatives from the steel sector developed an adjustment program that featured early intervention after plant layoff announcements, including peer counselling on job opportunities, career development, and retraining opportunities.

Did the CSTEC approach work? The ruling is still out, but we are conducting careful evaluations:

- an evaluation conducted one to two years after layoffs found unemployment was lower and wages were better among workers who were assisted by CSTEC; specifically, forty-one percent of CSTEC metal workers were unemployed one to two years later, compared to fifty-eight percent among the non-CSTEC group, and re-employed CSTEC metal workers suffered an average annual earnings loss of only $500, compared to a loss of $2,500 by the same non-CSTEC group.
- a follow-up evaluation conducted three to four years after layoffs is currently being completed; it will help us to better assess the longer term effects of CSTEC-type assistance on workers.

This type of adjustment initiative directly involving the affected group represents an expanded version of the Industrial Adjustment Service approach which has been operating in Canada for many years and which is also used in the United States.

The sector approach to dealing with human resource and adjustment issues has been expanding, both in terms of the number of sectors that have established sector councils and the activities carried out by these councils. Currently, twenty sector councils are operational in sectors such as software, aviation, automotive repair and service, electrical and electronic manufacturing and tourism. These councils coordinate, facilitate, and support incremental training of various types, including basic skills, technical skills upgrading, problem solving, and other forms of so-called “soft skills.” Within the sector councils, labour rep-
presentation typically ensures that a substantial portion of the supported training is generic and portable, thereby preparing workers for future employment as well as meeting the current and future needs of the industry.

Formation of a sector council is normally a three-step process. The process itself is very important.

Councils usually begin with a group of interested industry leaders approaching HRDC with a proposal to conduct a study of the human resource needs of their self-identified industry or sector.

The second step in the formation of a council follows the completion of this study. Industry and labour representatives then decide whether or not to pursue the development of a business plan for a possible new sector council. This developmental phase lasts up to a year and is funded through an agreement with HRDC.

The third step is an initial operational phase. Again, industry and labour representatives must decide whether the council should actually be established. If they agree to move ahead, a three-year start-up funding agreement is negotiated with HRDC to support the fixed costs of council operations. Training support agreements are also negotiated with the federal government and, in some cases, provincial governments to share the costs of actually providing incremental training and other supports within the industry.

Through coordination, sector councils are able to secure the types of training the industry needs, often working in concert with training providers such as community colleges and other learning institutions. By pooling knowledge and resources from unions and companies, sector councils have begun to serve an important role in developing training standards and nationally recognized certification for training programs. While the focus of sector councils is primarily limited to human resource issues, with discussion of collective bargaining issues strictly avoided, they seem to offer management and labour a constructive opportunity for joint problem-solving that may have spillover effects in other areas of labour-management relations.

C. Providing the Information Infrastructure for Effective Training

Let me turn to the role of governments in providing the information infrastructure necessary for effective training.

The life blood of any well-functioning labour market is good information and an exchange system that maximizes access and minimizes transaction costs. This improves the possibility of the right people ending up in the right jobs at the lowest possible cost. It makes the economy more productive and serves the bottom line interest, both of job seekers and of employers looking for appropriately skilled employees.

The Canadian government is currently focusing efforts on developing an effective information system. Both directly and through part-
ners, a concerted effort is underway to assemble better and more timely information on the demand for and supply of jobs in Canada’s fifty homogeneous labour markets. We are moving to significantly upgrade our local labour market information system and delivery mechanisms.

This includes better national labour market information, particularly for people who live in regions with declining prospects or highly specialized skills. Canada has moved recently to eliminate internal barriers to labour mobility, and is moving to upgrade our current national labour market information data bank which will enable Canadians to take greater advantage of their enhanced mobility prospects.

We are upgrading our system of occupational skills forecasting to enable new and re-entrants to the labour force, educators, and trainers to prepare for emerging jobs. Our system of occupational projections, the Canadian Occupational Projection System (COPS), has focused on the demand side without adequate attention to existing and future supply. While a number of international comparisons rank the quality and reliability of the forecasts of occupational demand as more or less comparable with those of other advanced industrial economies, we are acting to improve the supply side. The new framework will be better suited to help identify occupations that are currently, or are expected to be, in shortages or surpluses in the medium-term future.

The second element of an effective labour market information infrastructure is making sure that it is accessible. The department is working on restructuring its network of offices and how it delivers programs. This has put a new focus on a modern and effective National Employment Service.

The backbone of this modernization will be the implementation of a new National Labour Market Information System. It is state of the art. The focus is on access and service. Eventually, the system will not only include automated vacancy listings, but also career and other labour market information for both job seekers and employers. Let me provide a few examples of several new elements of the infrastructure itself:

- **Client Intervention Assessment System** will provide HRDC counsellors with cost-benefit analysis data for assessing the potential impacts of certain types of interventions on particular types of clients.
- **CanWorkNet** will offer information exchange through the Internet between HRDC and its human resource service partners, businesses, and individuals.
- **Electronic Labour Exchange** will allow both job seekers and employers to provide information on their needs not based on traditional occupational categories, but rather on a standardized description of competencies.
- **Multi-Media Kiosks** will make self-help information products available to the public, from homes through the Internet, various service providers, including government offices, training institutions, so-
cial services offices, shopping malls, etc.

I want to emphasize that these new ways of providing services to the public bring their own sets of challenges. For example:

- very often, those individuals who are most in need of job-finding help are *not* computer literate; the challenge is to ensure that a mix of services is provided and that the personal touch is retained;
- similarly, many employers do not use the system; the challenge is how to promote among employers the effectiveness of using the national system both for specialized “niche” hiring and for more general hiring purposes.

People must have access to programs and tools that work. Our new Employment Insurance tools reflect careful evaluation of the many types of initiatives that we have tried. We have made progress on what works and what does not work in the Canadian context. And we continue to adapt our services to unemployed people in a way that reflects these lessons. Our recent results have been encouraging from the viewpoint of helping the unemployed to find jobs, increase their earnings, and reduce their use of Unemployment Insurance and Social Assistance.

Our evaluations show, for example, that wage subsidies work. Participants, in addition to securing employment, experienced on average $5,000 gain in annual earnings due to the program. Self-employment assistance has also proved to be a highly effective way of creating work. Our evaluations of self-employment assistance demonstrate that it results in the unemployed person becoming employed and in the creation of almost one additional job for another person. With respect to training, we learned that the majority of client groups benefit from training programs, although to differing degrees. The lesson is that there is a clear need to target the right type of program to the right client.

We still have a long way to go. We will need to continue to focus on research and innovation. Full employment and sustainable high wages are not within easy grasp.

III. Conclusion

The roles of government in the training area is changing. Increasingly, for the federal government in Canada, the roles in the training area are focussing on three approaches: assisting individuals, facilitating the involvement of the private sector, and providing the information infrastructure. This is something to which other countries may also wish to devote attention, especially during a period of increasingly scarce public resources.

It is well-recognized that industrialized countries will have to do a better job of developing skilled competitive labour forces if they are to make significant dents in unemployment and maintain their high-wage
economies. Our experience, in the labour market area, is that government policy and programs work best when:

- they are in partnership with business, labour, and others
- they focus on providing the enabling tools and infrastructure.
- they show measurable results
- they help people take charge of their own lives