

An Overview of Budget 2013's Impact on Labour Market Training

Prepared by Brigid Hayes, March 21, 2013¹

- Budget 2013 signals a renewal of the Labour Market Agreements (LMAs) with provinces and territories following the sunsetting of the current set of agreements on March 31, 2014.
- Expenditures in the first year of the new agreements will be \$500 million. This is the same amount that has been transferred by the federal government to the provinces and territories each year since 2007.
- Budget 2013 also indicates that the government is planning to continue with the Labour Market Development Agreements (LMDAs). However, the government is planning to renegotiate these agreements (LMDAs do not have an expiration date but do have provisions for renegotiating and/or one or the other parties terminating the agreement).
- The new LMAs and the renegotiated LMDAs will be transformed “to ensure that skills training funds are being used to help Canadians obtain qualifications they need to get jobs in high-demand fields.”
- Between 2014–15 and 2017–18, the Canada Job Grant will be introduced. When it is fully introduced, \$300 million of the LMA money will go to the Canada Job Grant with the remaining \$200 million going to the provinces and territories to support delivery of “critical employment services, such as counseling and job search assistance, and administration.”
- The Canada Job Grant would provide \$15,000 per person for training. It would be a matching grant. Up to \$5,000 would come from the LMA money (i.e. federal funds), up to \$5,000 from the provinces/territories, and up to \$5,000 from employers.

¹ Please note that this document is based on my reading of "Jobs Growth and Long-Term Prosperity, Economic Action Plan 2013" as presented by the Minister of Finance on March 21, 2013. The analysis reflects my own understanding of this document, of the LMAs and LMDAs, and literacy and essential skills policy and practice. Any errors in interpretation are entirely my own.

- Eligibility for the Canada Job Grant is presented as “businesses with a plan to train unemployed and underemployed Canadians for an existing job or a better job.” Individuals wishing to have training can benefit if they are in a partnership with an employer.
- The grant will be for “short duration training, and will include eligible training institutions, including community colleges, career colleges, and trade union training centres.
- The details are to be negotiated with provinces and territories over the next year in consultation with stakeholder groups including employer associations, educational institutions, and labour organizations.

Preliminary Analysis

- The plans for the LMAs and the LMDAs represent a significant change in focus. Little information is presented about the LMDAs in budget 2013 so this analysis will deal with the impact on the LMAs.
- Current LMAs specifically target support for employed workers who do not have a high school diploma or recognized certification, or who have low levels of literacy and essential skills, as well as for unemployed were not eligible for EI. In comparison, Budget 2013 indicates that the LMA will focus on training for in-demand jobs. This is a 180° turn away from a focus on those with low literacy and essential skills.
- This is a departure also from the current LMA objectives, which include, among others, increasing the participation of Canadians and immigrants in the workforce and enhancing the quality of skills development and training.
- Under the current LMAs, funds are transferred to the provinces and territories. Provinces and territories in turn have either augmented existing training programs or created new training programs using LMA funds. Examples of programs include Workplace Essential Skills New Brunswick, support to the Workplace Essential Skills Training centre in Manitoba, and the Second Career program Ontario.

- Over the course of the next four fiscal years, \$300 million will be diverted from these direct transfers to the Canada Job Grant. This will affect the training systems in each of the provinces and territories.
- The Canada Job Grant places employers as the third member of a three-way matching grant. This will ensure that the funds meet the training needs of employers. It would also appear to require individual Canadians to partner with an employer to access these funds rather than being able to access them directly.
- While the grant may be at a maximum of \$15,000, this is dependent upon matching grants from provinces/territories and employers. This would require provinces and territories to come up with their own money in order to match the federal \$5,000 per grant and would be dependent upon the individual employers' capacity to match. One can imagine the challenge in finding an additional \$300 million from the provinces/territories and \$300 million from employers by the time the Canada Job Grant is fully implemented in 2017–18. This could result in under-expenditure of funds, improving the federal government's bottom line.
- Training providers appear to be more institutional-based rather than including community-based literacy groups and employment services.
- The part of the LMA that is not used for the Canada Job Grant appears to be designated for services that do not include training.
- There are no details presented about the administration of the Canada Job Grant. Options could include having the federal government transfer the money to the provinces and territories and asked them to administer grant or having the federal government maintain its portion and administer it through an organization such as Service Canada.
- The LMAs require each province and territory to submit an annual plan and an annual report. Provinces and territories have publicly posted reports on an annual basis, though a few have yet to post their 2011–12 reports (please note this does not mean that the report does not exist, just that it is not publicly available).
- The LMAs also require HRSDC to prepare a summary report on an annual basis based on the individual provincial and territorial reports. HRSDC has only

produced one such report in August 2011 that covered the first two fiscal years of the LMAs. This is the report, referred to by the press in the last couple of days, which indicated 79% of LMA funding was used on employment-type services, i.e. generic employment information and assistance services, for both employed and unemployed clients, and not on labor market training. These press reports were likely based on briefings received from the government in the lead-up to the budget.

- On March 31, 2013, the provinces and territories are supposed to deliver an evaluation of their own LMA. The directions outlined in Budget 2013 do not appear to have benefited from those evaluations.
- Over the next few days, the provinces and territories are likely to react to this announcement as will other stakeholders. As more details emerge, the ultimate impact on literacy and essential skills programming should become clearer.