

10

Active Employment Measures in Canada: the Role of Regional Economic Development Agencies

Michèle Fong

1. Background

This paper outlines Canada's active employment measures, the role of regional economic development agencies and this country's current labour market environment. In Canada the federal department of Human Resources and Skills Development is responsible for active labour market programs. The Regional Development Agencies¹ also help Canadians secure employment by improving economic conditions in response to today's labour market environment.

The economy of Canada today is vastly different than the Canada of just a few years ago. The unemployment rate is currently at its lowest point in 25 years, labour force participation rates have rebounded and productivity trends for Canadian workers are improving. Based on the Organisation for Economic Co-operation and Development's (OECDs) forecasts, Canada's strong economic performance is expected to continue with GDP growing by approximately 3.5% per cent in 2005.

The work place has also been transformed due to globalization and demographic changes as well as increases in non-standard work and demand for highly skilled workers. The Canadian labour market is facing new challenges. This paper provides a snapshot of these challenges and efforts underway to address the challenges.

1.1. Labour Market Exclusion

In most cases in Canada, individuals at risk of or in a position of exclusion are due to one or more of the fol-

lowing barriers to labour market participation:

- **Low-skills/education:** educational attainment has been established as a strong predictor of employment outcomes. Participation, employment and wages have a positive relationship with education. The OECD has identified that, low-skilled workers are the most likely of several target groups to be non-participants and have an employment rate of just 50%, well below the average of 65% for the total working-age population. Immigrants encounter unique skills-related barriers including second language and literacy proficiency, and lack of recognition of foreign education and professional credentials.
- **Work limitations due to disability and/or illness:** in order to participate in the workplace, disabled workers may require rehabilitation, structural accommodations and/or modified work hours, which can leave them vulnerable to job loss and unemployment. There is also a general tendency toward lower skill levels among the disabled, possibly due to difficulties accessing education and training.
- **Work/life balance barriers:** includes child care, elder care and other personal responsibilities that limit availability for work or make it difficult for the individual to maintain employment. A 2001 OECD survey found that a substantial number of individuals who had dropped out of the labour market due to family responsibilities were receptive to working.
- **Economic security barriers:** includes the 'welfare wall' (high marginal effective tax rate for individuals on social assistance moving into the labour mar-

¹ Atlantic Canada Opportunities Agency, Canada Economic Development for Quebec Regions, Federal Economic Development Initiative for Northern Ontario, Western Economic Diversification Canada.

ket) and scarcity of non-wage benefits in entry-level or non-standard jobs, as well as costs associated with employment such as transportation and job-related equipment. A lack of adequate compensation can discourage marginalized individuals from pursuing work or result in individuals cycling between low-paid work and unemployment without securing long-term labour market attachment.

- **At risk groups:** includes Aboriginal peoples, youth, lone parents, recent immigrants and the low skilled.

1.2. Labour Market Conditions

Overall, Canada's labour market has performed well since the late 1990's. On average, just over 15.7 million people were employed in 2003, up 334,000 or 2.2 per cent from 2002. At 62.4 per cent of the working-age population, this was the highest annual employment rate on record.

In recent years, all major age-sex groups have managed employment gains. In 2003, the largest employment gains were among Canadian aged 55 and older — an age group increasingly represented by baby boomers. The annual average growth rate for this group was 10.7

per cent. 2003 marked the third consecutive year that older workers have had stronger employment growth than either core-aged adults (25 to 54 years) or youth (15 to 24 years).

Core-age workers (25 to 54 years) have also demonstrated strong labour market performance. On average, employment in 2003 among core-age women was up 59,000 or 1.1 per cent and 46,000 or 0.8 per cent among core-age men from a year earlier.

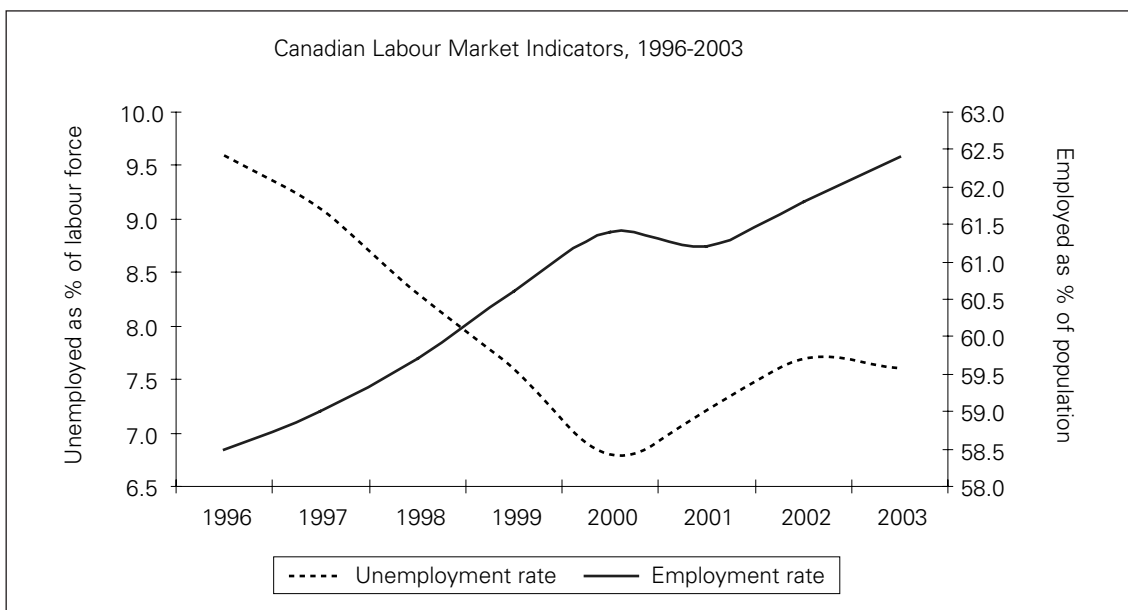
Despite employment losses among youth in recent years, a total of 2.4 million youth were employed in 2003, an increase of 40,000 or 1.7 per cent from 2002.

1.3. Low Income and Low-skilled Employees

In Canada, as in other countries, there is a clear recognition of the growing demand for more skilled workers. By 2004 it is predicted that 70 per cent of all new jobs in Canada will require some form of post secondary education and only six per cent of new jobs will go to people who have not finished high school.

In 2001, there were approximately 560,000 low income workers in Canada of which 184,000 were unattached individuals and 230,000 were heads of a family.

Unemployment Rate in the US and Selected States



Source: US Department of Labor, Bureau of Labor Statistics (January in each year).

Workers with a post-secondary education experienced a strong 4.0 per cent job growth in 2002-2003. In contrast, employment declined by 0.7 per cent for those with less than high school and increased by 1.6 per cent for those who only completed high school.

Literacy and essential skills² challenges face many Canadians on a daily basis. The 1994 International Adult Literacy Survey found that 42 per cent of working-age Canadians (approximately eight million adults) do not have the literacy skills necessary to cope in today's knowledge-based economy. The results also show that unemployed workers are three times more likely to be at the lowest levels of literacy than those who have stable employment.

2. Historic Perspective

To fully understand the labour market of Canada and measures provided in support of the labour market one must look first at the situation in a more historic context. The Canadian labour market has seen great change in the last decade. In 1996 when Canada's Unemployment Insurance system was modernized the country was facing a very real and serious barrier with regards to the country's labour force participation. In 1995 unemployment rates reached a high of 14.9% and the issue of joblessness was on the minds of many Canadians. Generally speaking the mid-1990s was also marked by a high public deficit and program evaluations from this period agreed that the Unemployment Insurance system of the day was not working adequately and a change was necessary.

The reform of 1996 saw the introduction of an Employment Insurance (EI) system that, among other things, included the addition of revised Active Employment Measures that were designed assist individuals to prepare for, find and keep jobs. Objectives were to support quick returns to work and generate savings to the EI account. This was accompanied by the reduction in passive payments to claimants by transitioning quick returns to work and an important reinvestment in active employment measures. A recent

analysis of 14 representative communities monitored since the 1996 reform indicates that while the program continues to respond to change in local labour markets there are some potential problems regarding accessibility to the EI program by certain demographic groups.

2.1. Current System

Canada's EI system is divided into two broad sections: passive measures and active measures.

Passive measures, as pursuant to Part I of the EI Act, include temporary financial assistance for unemployed Canadians while they look for work or upgrade their skills. Part I benefits can be accessed, by those who qualify, for up to 45 weeks. Qualifications for Part I benefits are inversely correlated between regional unemployment rates and hours worked in the previous 52 weeks or since the last claim — whichever is shorter.

The EI Program divides the country into areas of similar labour market conditions, such as census metropolitan areas or areas with comparable labour market characteristics for the purpose of determining representative unemployment rates of the 58 designated EI economic regions.

In general most claimants will need between 420 and 700 insurable hours to qualify for Part I benefits. For persons entering the workforce for the first time, however, or those re-entering after a prolonged absence, 910 hours are required.

Due to the qualifying criteria recent analysis suggests that women and youth have lower access to EI in comparison to men due to this group's greater relative attachment to part-time work. In response to this HRSDC initiated the Youth Employment Strategy (YES) in February 1997 and realigned the strategy in March 2003. The Youth Employment Strategy is designed to assist youth transition from school to work and provides an alternative to a pattern of weak labour market attachment and dependency on income transfers for young men and women.

Active Employment Measures are pursuant to Part II of the EI Act and include Employment Benefits and

² Essential Skills are the fundamental skills that make it possible to learn all others. They are enabling skills that help people participate fully in the workplace and in the community. They are: reading text, document use, writing, numeracy (math), thinking skills (problem solving, decision making, job task planning and organizing, significant use of memory, finding information), working with others, computer use, continuous learning.

Support Measures (EBSMs). Employment Benefits, which are generally longer term interventions, are available to unemployed individuals who are currently on claim or who have been on claim in the past three years (five years for those who have been on parental benefits and are returning to the labour market). Employment Benefits include the following employment programs:

- **Skills Development:** provides a negotiated level of financial support to unemployed EI eligible individuals without marketable skills who require occupational skills training in order to secure employment.
- **Self Employment:** provides eligible individuals with income and entrepreneurial support while they start their own business.
- **Job Creation Partnerships:** provides meaningful work experience in incremental term projects to participating individuals.
- **Targeted Wage Subsidies:** designed to provide a temporary wage subsidy to an employer as an incentive to hire an individual they would not normally hire to provide the employee with a meaningful work experience that will help them find a permanent job — preferably with the same employer.

Support Measures are normally regarded as short duration interventions and are available to all unemployed individuals. There are three types of support measures:

- **Employment Assistance Services:** helps unemployed individuals prepare for, obtain and maintain employment by providing them with

services such as resource centres, employment needs assessments, career planning, employment counseling, diagnostic assessments, job search techniques, job placement, development of a return to work action plan, case managers as well as providing labour market information.

- **Labour Market Partnerships:** designed to encourage and support employers, employee and/or employer organizations and communities to improve their capacity for dealing with human resource requirements and to implement labour force adjustments.
- **Research & Innovation:** funds projects that examine previously untried solutions to specific labour market issues or problems. In order to produce results that will have value, funded research must adhere to sound research methodologies.

As eligibility for EI Part I is not a factor for accessing Support Measures, these programs are readily accessible and very important to all unemployed Canadians.

2.2. Delivering an Active Labour Market Programming

Active labour market programming is delivered by HRSDC, provinces and territories and Aboriginal organizations through Labour Market Development Agreements (LMDAs) and Aboriginal Human Resources Development Agreements. LMDAs are bilateral agreements which vary between provinces and territories. Provinces and territories engage third party ser-

Type of Agreement	P/T	Design and Delivery	Funding and Staff
Transfer	NB, SK, AB, QC, MB, NU, NWT	- P/Ts assume full responsibility for designing and delivering EBSM similar programs and services under EI Part II	Funding and HRSD staff transferred
Co-managed	NL, BC, PEI, YK	- HRSD continues to deliver employment benefits and support measures - Joint planning	No transfer of funds or staff
Strategic Partnership (variation of co-managed)	NS	- Joint priority setting - HRSD continues to deliver employment benefits and supports measures - Consultation and co-operation with province - Each partner contributes resources	No transfer of funds or staff

vice providers to assist in delivery of active labour market programming.

All jurisdictions, with the exception of Ontario, have signed LMDAs using one of two models with different degrees of devolution. The two models are referred to as transfer and co-managed LMDAs.

A transfer LMDA is one in which the provinces and territories assume responsibility for the design and delivery of programs similar to EBSMs and funds and staff are transferred to the provinces and territories.

Co-managed LMDAs are those which provinces and territories engage in joint planning with the federal department of Human Resources and Skills Development Canada (HRSDC). In this case there are no direct transfers of funds and HRSDC continues to deliver EBSMs.

In the case of the province of Ontario, HRSDC delivers EBSMs directly without a formal agreement in place with this province.

The EI Act provides guidelines that ensure consistency in the design and delivery of EBSMs. These include:

- harmonization with provincial employment initiatives to ensure that there is no unnecessary overlap or duplication;
- reduction of dependency on unemployment benefits by helping individuals obtain or keep employment;
- co-operation and partnership with other governments, employers, community-based organizations and other interested organizations;
- flexibility to allow significant decisions about implementation to be made at a local level;
- availability of assistance under the benefits and measures in either official language where there is significant demand for that assistance in that language;
- commitment by persons receiving assistance under the benefits and measures to:
 - achieving the goals of the assistance;
 - taking primary responsibility for identifying their employment needs and locating services necessary to allow them to meet those needs;
 - sharing the cost of assistance (if appropriate).

- implementation of the benefits and measures within a framework for evaluating their success in assisting persons to obtain or keep employment.

The Youth Employment Strategy (YES) is a program under HRSDC which is designed to help young Canadians (aged 15 to 30) to obtain career information, develop skills, find good jobs and stay employed. To support the YES, formal youth protocols exist within five provinces (Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island and Manitoba). The protocols consist of a formal political commitment to consult and cooperate in identifying common priorities at the federal-provincial level and the mechanisms for bilateral cooperation. Transfer of federal program funding or responsibility for the federal program delivery is not part of the protocols.

The YES offers youth a range of initiatives under the following three programs:

- **Skills Link** helps young people who generally face more barriers to employment than others.
- **Summer Work Experience** helps secondary and post-secondary students find summer jobs.
- **Career Focus** helps post-secondary graduates develop advanced skills and find careers in their fields.

HRSDC manages the Aboriginal Human Resource Development Strategy (AHRDS). The AHRDS is a community-based strategy that offers responsibility to Aboriginal groups to design and deliver labour market interventions to assist Aboriginal persons in finding and keeping employment. It includes networks with the private sector and governments to support career development opportunities. Through the AHRDS 79 Aboriginal Human Resources Development Agreement holders deliver labour market programming in over 400 locations.

3. Regional Economic Development Agencies

The Government of Canada maintains regional development agencies and initiatives that promote economic development, jobs, investments and infrastructure in communities across the country.

3.1. Atlantic Canada Opportunities Agency

The Atlantic Canada Opportunities Agency (ACOA) is the arm of the federal government whose mission is to work in partnership with Atlantic Canadians to improve the economy of communities in the region. Established in 1987, ACOA offers a broad range of programs and services designed to improve the climate for business growth.

It is within this context that ACOA is mandated to tackle the economic development challenges facing Atlantic Canada, identify and address structural weaknesses (market failures) in the economy, help communities and businesses overcome barriers, and find new opportunities for growth. It is also within this context that ACOA is committed to helping the region make the transition to a more innovative, productive and competitive economy.

National Role

- At the national level, the Agency carries out this mandate by advocating for Atlantic Canada's interests, priorities and concerns in other federal government policy-making decisions and investments that have a direct impact on the Atlantic economy.

Regional Involvement

- At the regional level, ACOA conducts policy research and analysis that help provide the foundation for a comprehensive and strategic approach to regional development. Furthermore, the Agency plays a key role in coordinating pan-Atlantic development strategies, programs and initiatives, working closely with the provincial governments, Atlantic universities and research institutes, business organizations and other stakeholders in the region to reduce duplication and maximize impact.

Local Impact

- Locally, ACOA works with its partners to provide communities with the tools and resources they need to build more self-reliant local economies. The Agency also works locally to improve the growth and competitiveness of Atlantic enterprises through a variety of programs and services designed to increase start-ups, expansions and modernization.

Programs

- **The Atlantic Innovation Fund** is a driving force behind the latest acceleration of Atlantic research and development.
- **The Strategic Community Investment Fund** is helping small and rural communities to strengthen their economic base
- **The Business Development Program** and other ACOA programs are helping thousands of entrepreneurs to start up and expand businesses, optimize trade and export opportunities, and develop new tourism products.

These programs are strategically important. In the 1990s, 70% of the jobs created by new firms in Atlantic Canada were attributed to small businesses. Over the long-term, the main challenge facing the Atlantic economy is raising productivity levels in order to increase competitiveness.

Strategic Outcomes

- The Agency's three strategic outcomes reflect its mandate to help increase employment opportunities and earned income for Atlantic Canadians:
 - **Enterprise Development** — improving the growth and competitiveness of Atlantic small and medium-sized enterprises (SMEs), leading to increased productivity, earned incomes and job creation.
 - **Community Development** — increasing economic opportunities for Atlantic Canada through community economic development.
 - **Policy, Advocacy and Co-ordination** — developing policies and programs to support and promote growth in the Atlantic economy.

3.2. Canada Economic Development for Quebec Regions

The Canada Economic Development Agency for Quebec Regions is responsible for promotion of the economic development of the regions of Quebec.

The Government of Canada has made a formal undertaking to foster economic development so as to promote equality of opportunity for all Canadians. In fulfilling its mandate, the Agency helps the Government

of Canada deliver on this commitment in the different regions of Quebec.

Strategic Outcomes

- The Agency targets three strategic outcomes for the economic development of the regions of Quebec:
 - Foster enterprise development;
 - Contribute to improving the environment for economic development of the regions; and
 - Facilitate development and renewal of community infrastructure.

Programs

The Agency's support for economic development players primarily takes the form of contributions or grants under the following programs:

- Programming relative to the Agency's core mandate contributing to attainment of the first two strategic outcomes targeted:
 - Program of assistance for development of SMEs in Quebec;
 - Regional Strategic Initiatives Program;
 - Community Futures Program;
 - Canadian Support Program for the Gaspésie - Îles-de-la-Madeleine Economy.
- Programming relative to the special mandate entrusted to the Agency by the Government of Canada contributing to attainment of the third strategic outcome targeted:
 - Infrastructure Canada Program (2000)
 - Canada Infrastructure Works (1994)

Regional Partnership

- The Agency has developed, among development players, a network of collaborators in each region of Quebec with which it works in synergy to implement its intervention strategy.
- The Agency's network in the regions of Quebec helps it not only to extend its reach in the province and implement its intervention framework, but also to stay well-informed as to the evolving challenges of Quebec SMEs and regional issues.
- The Agency works with more than 100 local organizations, many of which have the mandate to provide specialized services to regional enterprises.

3.3. Federal Economic Development Initiative for Northern Ontario

The Federal Economic Development Initiative for Northern Ontario (FedNor) is responsible for promoting economic growth, diversification and job creation and sustainable, self-reliant communities in Northern Ontario, by working with community partners and other organizations to improve small business access to capital, information and markets.

While FedNor typically does not directly provide financing for private businesses, it administers the Community Futures Program, which is comprised of locally operated Community Futures Development Corporations (CFDCs) throughout Ontario. Along with offering a variety of business services, CFDCs provide financing for private enterprises deemed to provide a benefit to community economic development. FedNor delivers its mandate through two key programs: the Northern Ontario Development Program and the Community Futures Program.

What distinguishes FedNor from other regional development initiatives is that it focuses on special initiatives helping traditionally under-represented populations (Aboriginals, women, youth and the francophone community) participate more meaningfully in the economic development of Northern Ontario.

3.4. Western Economic Diversification Canada

Western Economic Diversification Canada (WD) established in 1987, promotes the development and diversification of the economy of Western Canada to advance the interests of the West in national economic policy. WD's programs and services support three strategic directions: innovation, entrepreneurship and sustainable communities and many of WD's initiatives are designed to address several priorities at once.

The overarching goal of WD is ensuring that every western Canadian — including Aboriginal people, youth, women, francophones and residents of remote and northern communities — has an opportunity to participate in, and contribute to the economic success of the West and the entire country.

Programs and Services

Western Economic Diversification Programs

(WDP) administers programs and services that advance innovation, entrepreneurship and sustainable communities. WDP supports activities that develop and diversify the Western Canadian economy as well as activities where economic benefits and job creation will be fostered within Western Canada. Funding is focused on activities that support innovation, promote a competitive and expanded business sector in Western Canada, and develop sustainable communities that improve the competitiveness and quality of life in the West. Innovative partnerships with public and private sectors, other levels of government, academic and financial institutions, and research centres exist in order to make the most of WDP investments in Western Canada.

There are numerous programs supported by core funding that address the various strategic goals of the WDP:

- **Western Economic Partnership Agreements (WEPAs):** Fosters increased economic activity and improves the quality of life in communities across Western Canada. WEPAs, which are equally cost-shared with each of the four western provinces, will allocate \$50 million to targeted federal and provincial priorities, including innovation, entrepreneurship and sustainable communities.
- **International Trade Personnel Program:** Assists growing export-oriented SMEs in Western Canada by hiring unemployed or under-employed recent post-secondary graduates to work on international trade-related projects.
- **First Jobs In Science & Technology Program:** Assists SMEs to adopt new technologies by providing funding to hire recent science and engineering graduates. As well as providing SMEs with valuable technological expertise, the program also provides western Canadians with their first jobs in areas related to their field of training.
- **Conference Support Program:** Offers a means for WD to develop and maintain valuable linkages with important western stakeholder groups. This program offers support to industry associations, economic development organizations and academic institutions holding conferences and events that support federal gov-

ernment and WD objectives.

- **The Canada Foundation for Innovation Support Program:** Designed to enhance western institutions' rates of participation in the Canada Foundation for Innovation (CFI). WD reimburses qualified western research institutions up to 90 per cent of eligible direct costs incurred to a maximum of \$20,000 for to assist with the cost of preparing a CFI proposal.
- **WD Loan Fund Program:** Leverages loan funds in partnership with various financial institutions in order to contribute funds to a "loan loss reserve," to help partly offset higher risks associated with eligible loans. This allows financial institutions to supply loan capital to clients to whom it would not otherwise make loans.
- **Innovation & Community Investment Program (ICIP):** Projects carried out under ICIP are focused on specific issues and opportunities grouped around three major themes: Community Innovation Strategy, Innovative Technologies, and Skills Development.
- **Service Delivery Network Program:** Supports the partners of the Business Service Network, which increases access to services in Western Canada through service delivery arrangements with community-based organizations that provide business information services and access to capital to SMEs. Examples of Business Service Network partners include Community Futures Development Corporations, Canada Business Service Centres, Women's Enterprise Initiative, Francophone Economic Development Organizations.

Community Futures

Community Futures is a network of local community economic and business development organizations. Created in 1985, Community Futures is the largest most well-established national community economic development network in Canada.

As of February 2004, Community Futures has 268 CFDCs and Community Business Development Corporations (CBDCs) in every province and territory. Community Futures is a Government of Canada initiative designed to help communities develop and implement strategies for dealing with a changing economic

environment.

CFDCs and CBDCs are independent, not-for-profit organizations that are guided by a volunteer board of directors and a strong team of professionals. They work in partnership with the federal government departments charged with ensuring that the Community Futures mandate is carried out nationally.

Services

Community Futures provide a variety of business services: repayable loans, training, technical support, and information for small and medium-sized enterprises. In addition to a strong focus on business development, CFDCs and CBDCs involve themselves in a range of community initiatives, either separately or in conjunction with their federal partners, including strategic planning processes at both the community level as well as on a smaller, more intimate scale with entrepreneurs and small business owners themselves.

In addition to their core relationship with the federal government, local CFDCs and CBDCs also forge partnerships with other federal and provincial organizations to deliver a wide variety of entrepreneurial and business development programs. In many provinces CFDCs and CBDCs have partnered with HRSDC to deliver the Self Employment Benefits (SEB) program. The SEB, which allows clients to continue to receive EI benefits while getting their business off the ground, fits well with the Community Futures mandate.

Local Community Futures organizations are able to provide HRSDC with a well-established infrastructure and delivery system, a core group of professional staff, and years of experience in the local business community for the delivery of SEB. CFDCs and CBDCs also provide financial assistance to new entrepreneurs and existing small businesses that may have difficulty obtaining financing from other, more traditional sources.

Financing is in the form of fully repayable loans up to \$125,000, loan guarantees, or equity investment for business start-up, expansion or stabilization. Last year, the 267 CFDCs and CBDCs successfully invested just over \$188 million in repayable loans to help new and existing businesses in thousands of communities across rural Canada.

4. Ideas for Change

While the Canadian labour market changes, so do its needs. HRSDC is currently looking at options for implementing a Workplace Skills Strategy that will guide the development of policies and programs that recognize the importance of developing human capital in, and for, Canadian workplaces. The objective of the Strategy is to promote the full development and utilization of the abilities and skills of Canadians.

The Workplace Skills Strategy aims to respond to the needs of adults in the workplace by:

- reinvigorating exiting programs to focus on the needs of employers and the currently unemployed;
- introducing a new generation of initiatives and instruments designed specifically to create the conditions and incentives necessary to encourage workplace skills development;
- engaging employers to better understand their needs, incentives and barriers

The OECD's Economic Survey of Canada 2004, has identified several ways that Canada's EI Program can change to better address today's labour market challenges. These recommendations include addressing skills gaps that exist with frequent EI users, addressing the current regulations that favor seasonal workers and "reconsidering the present rules that offer more generous unemployment benefits in regions where unemployment is high so as to achieve a better balance between providing stronger incentives for job search and a fair access to benefits among regions."³

The issue of "welfare traps" is also a concern according to the report. It states that while much progress has been made since the mid-1990s, in large part due to the introduction of the National Child Benefit, is also states that more work could be done to help facilitate the welfare to work transition.

The report also mentions the need to reduce or eliminate the mandatory retirement clauses that exists in some Canadian collective agreements. It states that "labour supply could also be boosted by greater participation by those in older age groups."⁴

Along with the issue of mandatory retirement the

³ OECD Economic Survey of Canada, 2004 Summary, pg.5.

⁴ OECD Economic Survey of Canada, 2004 Summary, pg.5.

report identifies pension plan design as another hindrance as they can penalize those older workers who may choose to continue to remain active in the labour force.

Due to changes in today's labour market it has become clear that the tools of 1996 may not be the best suited to respond to present labour market employment situations. Skills gaps have become evident in today's labour market while recent immigrants and the low-skilled have difficulty in fully utilizing their skills or in finding employment. The goal of the Government of Canada will be to respond to these apparent gaps and address today's labour market with a suitable and effective framework.

Speech from the Throne

In the October 5, 2004, Speech from the Throne, Canada's Governor General, Her Excellency the Right Honourable Andrienne Clarkson set forward the mandate for the current federal government. Canada's economy was a top priority in the speech as well as a continued investment Canada's workers.

"We must invest in helping workers to continuously enhance their skills to keep pace with constantly evolving workplace requirements. To that end the Government of Canada will develop a new Workplace Skills Strategy, including steps to enhance apprenticeship systems and to boost literacy and other essential job skills. This will be complemented by up-to-date training facilities and labour market agreements to be developed in collaboration with the provinces and territories, unions and sector councils."⁵

The speech also commits the Government of Canada to reviewing the Employment Insurance Program to ensure that it remains able to address the changing labour market and the needs of its workers.

The recognition of foreign academic credentials for Canada's immigrant population is also an issue that is addressed in the speech and the Speech pledges that the "Government will redouble its efforts, in cooperation with the provinces and professional bodies, to help integrate them into the workforce."⁶

The Speech from the Throne also identifies Canada's regional economies as areas to focus on. This will include "support for regional and rural economic development [and] will target the fundamentals — skills upgrading, support for research and development, community development and modern infrastructure such as broadband communication."⁷

It is increasingly evident that as changes in the labour market are felt by workers and employers the Government of Canada will work towards addressing needs, identifying gaps and charting a course for the future.

ANNEX 1

Regional Development Agencies — Additional Information

Regional Development Agencies: Results and Criticisms

ACOA

- There is significant variability among CBDCs. The percentage of non-performing Community Futures loans range from 3% to 25%, while the percentage of write-offs vary from less than 1% to 18%.
- The high level of losses in the most severe case (18%) was attributed to the local economic context where the business environment is very difficult.
- About 57 % of those who were starting a business (42% of all clients) would not have started their business without a Community Futures loan.
- Without a CF loan:
 - 51% said their business would not have expanded,
 - 22 % said their business would have shut down,
 - 15% said that they would have ceased some operations.
- Client satisfaction with CBDCs is very high,

⁵ Speech from the Throne, October 5, 2004, pp. 3-4.

⁶ Speech from the Throne, October 5, 2004, pg. 4.

⁷ Speech from the Throne, October 5, 2004, pg. 5.

overall, 94% of survey respondents who received loans were satisfied with the CBDC client services.

- Counseling services are inconsistent from one CBDC to another.
- CBDCs should be more visible to the community. Many members of the community confuse CBDCs with other organizations with an economic mandate.
- CBDCs should engage in more outreach activities to make them better known to their communities.
- CBDCs fill a gap in many rural communities by providing a source of capital for small businesses.
- The presence of CBDCs helps keep people in rural communities.

Canada Economic Development for Quebec Regions

- A 2001 study revealed that management of repayable and non-repayable contribution programs (like the Community Futures Program) constituted a potentially risky activity and should therefore be the subject of periodic audits.

FedNor

- In addition to facilitating community-based strategic economic planning, FedNor achieved its objective of universal rural coverage in Ontario by completing the development of four new CFDCs, bringing the total number of CFDCs in Ontario to 61.
- A total of 686 rural businesses were assisted, helping to create or maintain 1,300 jobs.
- From April 1, 2003, to December 31, 2003, FedNor made significant strides in providing greater access to financial support for SMEs in Northern and rural Ontario by partnering with CFDCs. Through the CFDC lending activities, more than \$35.5 million was invested in local businesses. These funds leveraged over \$72 million in additional investments from other sources, significantly increasing the leverage ratio of the CFDCs from 1:1.4 in 2002 - 2003 to 1:2 in 2003 - 2004.

WD

- The program has generated positive results for businesses, entrepreneurs and communities, continues to have a strong rationale, and is supportive of the strategic directions and priorities of both WD and the federal government.
- The community-based service delivery model for the program was highly valued with regional boards that engage local interests and build community capacity, strong management and innovative partnerships and projects that are generally viewed as complimentary to other regional and community-based agencies and institutions.
- There is a need for further collaboration among CFDCs in terms of sharing resources and best practices, and in strengthening partnerships with local groups and communities (e.g., Aboriginal groups)
- A general lack of awareness among the communities and in relation to the program and CFDC services was also raised as a concern.
- Overall, there is a need to address the implications for future delivery of services under the program given funding constraints as well as consistency in governance, the level of engagement among CFDCs and with First Nations, succession of senior management, performance measurement and reporting and further outreach.

ANNEX 2

Case Studies

In 2004 Canada began participation in an OECD Local Economic and Employment Development (LEED) Programme project on Skills Upgrading for the Low Qualified (SULQ). Once completed, the projected will draw upon case studies from five participating countries to illustrate strategic approaches that can be taken to improve the employment opportunities for both incumbent workers and the unemployed, including measures to upgrade skills and how such measures can have an impact on the effectiveness of other labour market policies.

For the SULQ Study, the firms selected to be used as

Canadian examples of skills upgrading for the low qualified were BHP Billiton Diamond Inc. (BHP) and Diavik Diamond Mines Inc. in the Northwest Territories and Suncor Energy and Syncrude Canada Limited in Alberta. It should be noted that these companies are large firms with vast financial resources. While their employees may be drawn from a low-skilled base, the firms are not representative of the majority of companies in Canada, which can be described as small and medium-sized enterprises.

To set the national policy context with respect to the low-skilled workforce, current labour market trends and educational indicators were examined. Overall, Canada's economic performance has compared favourably to other OECD countries, with real economic growth expected to be approximately 2.6% from 2005 to 2015. Education levels have been on the rise, between 1991 and 2001 the proportion of Canadians aged 25 to 64 with less than a high school diploma fell from 31% to 19%. Post-secondary enrolment and graduation rates for colleges and universities have also increased since the late 1990s. Despite these advances of formal education, the 1994 International Adult Literacy Survey (IALS) results revealed that a significant proportion of Canadian adults had low or very low literacy skills. Adult education and training participation rates have also increased, participation in formal job-related training increased from 29% in 1997 to 35% in 2002. However, labour market participation rates were highest for those with post-secondary education and only 18% of workers with a high school degree or less participated in training in 2002.

These case studies serve as examples of the national policy objectives of increasing the role of workplace skills training, and each of these firms delivers training through different programs or initiatives in conjunction with provincial and territorial governments. One of the unique conditions of these case studies is that both provinces in the case studies have devolved from the federal LMDAs, and are therefore responsible for the

delivery of training programs to the unemployed. All of the Canadian firms highlight the use of skills assessment tools, both for hiring of workers and to assess targeted training programs for employees. The development of Test of Workplace Essential Skills (TOWES) which was funded by the Government of Canada allows for a benchmark skill level that is not related to formal education. TOWES uses workplace documents to accurately measure reading text, document use and numeracy. In using TOWES, these firms also partner with a third party training provider to administer and assess the results, and further training of employees is (in most cases) performed by the same institution. Both Suncor and Syncrude partner with an accredited local college to administer literacy and learning programs. The college also administers an occupation classification test, and Suncor recruits its employees through the college. Diavik also has pre-employment training programs with a local community college and community groups. There is also a strong use of in-house training programs with BHP and Syncrude offering on-site training packages for new employees for both skills development and literacy.

In contrast with current labour market programming which almost exclusively focuses on the unemployed and where the mandate ends with the funding of a job, these examples demonstrate a continuum starting with unemployed or under-employed individuals and continuing work on their skills development long after they are hired.

One of the best practices to be identified in the Canadian case is the use of skills assessment tools, but also in their strengths of capacity building, whereby training and skills is enhancing the communities in which these businesses operate as well as enhancing workplace productivity. The integration of training, development and support services makes these case studies useful demonstrations in an international context.