

Intelligence MEMOS



From: Parisa Mahboubi
To: Canada's Ministers of Employment
Date: November 16, 2021
Re: CANADA'S SKILLS DEVELOPMENT CHALLENGES

The job market is in constant flux. Automation, digital innovation, globalization and demographic trends are reshaping the market, causing structural changes and shifting the skill requirements for a productive workforce – and now COVID.

COVID-19 related restrictions have resulted in high unemployment and unprecedented increases in the number of people unemployed for long periods, despite recent high job vacancies. In October 2021, [long-term unemployment](#) – the number of people unemployed for 27 weeks or more— stood 120 percent above the pre-pandemic level in February 2020. Long-term unemployment is associated with skill depreciation, poor mental health, a lower chance of getting hired and lower re-employment wages.

Investment in human capital to enhance productivity, employability and innovation is now even more important to increase labour market attachment and to ensure Canada's competitive advantages as it emerges from recession.

But Canada is lagging. According to my recent C.D. Howe Institute [study](#) with Momanyi Mokaya, Canada stands below the top-performing countries in skills development, and has no comprehensive approach toward lifelong learning. As well, training participation by low-skilled and low-educated people – who most need the training – is well below other nations.

So far, major programs are overlooking these two vulnerable groups: the long-term unemployed and the low-skilled, low-educated workers.

Along with Ottawa's 2019 Canada Training Benefit (CTB), a skills development program aimed at employed Canadians who meet eligibility criteria; several temporary skills training programs, mostly with the involvement of employers, have been introduced in this year.

Some features of these programs need improvement, particularly around eligibility criteria and addressing barriers. For example, the CTB requires applicants to be employed with minimum annual earnings of \$10,000 and only offers a \$250 per year tax credit, up to a lifetime limit of \$5,000. Not much help for people facing the sudden shocks that change the dynamic of labour markets and to support those who need training the most: those affected by the pandemic and are in long-term unemployment.

Individuals, businesses and governments face several challenges in taking the steps needed to ensure sustainable upskilling and reskilling.

Some challenges relate to jurisdictional constraints and the coordination of program delivery, including funding, lack of capacity, partner and citizen engagement, learning methods, data gaps, program access and culturally appropriate programming.

Fundamental barriers to participation, such as lack of time, money, awareness, ability and motivation also exist. For example, low-income, low-education individuals also have the lowest capacity to pay for training and might also be least aware of the benefits of education and how to get support. Other barriers can include the inconvenient timing or location of a training program, the unavailability of a course or program and the lack of employer support.

While the shift toward distance education options, particularly in light of COVID-19, provides individuals with more flexible options, digital skills gaps or limited or no access to online opportunities, equipment or connectivity to take full advantage of online learning create additional learning barriers for those who need educational and training the most.

Although businesses play a central role in providing training, evidence shows that they invest less in low-skilled employees because of lower returns. But the wider social returns of lifelong learning for adults with low qualifications can be high because it improves their employability, reduces their dependency on unemployment benefits and other targeted transfer spending and boosts inclusive growth. Although subsidies to businesses promote participation in training, employers too often fail to address the needs of low-skilled employees. That makes government-funded training programs all the more important.

Successful strategies in countries with strong adult education and training systems, such as Singapore, show that ensuring the provision of relevant adult learning requires a strong partnership among all levels of government, business and educational institutions to gather, track and share data between stakeholders, identify skills needs and barriers to participation, address barriers and provide sufficient support and necessary training.

On the other hand, in Germany, the complexity of governance structures of adult education and training appears to be an explanation for the low participation rate among certain population groups such as the unemployed and those with low qualifications, despite availability of a host of targeted financing schemes to encourage and support training.

As the Canadian labour market recovers from the pandemic, adult education will be pivotal in ensuring that individuals have the right tools to adapt to the new skills the market demands.

Skills acquisition is a moving target that needs a dynamic response. The federal and provincial governments collaboratively need to pursue a comprehensive adult education and training strategy centred on public and private sector collaboration to identify skills needs and barriers, and to support the development and implementation of strategies to ensure the strategy's effectiveness.

Governments also need to recognize the limitations of training provided by businesses, and plan to step in themselves.

Parisa Mahboubi is a Senior Policy Analyst at the C.D. Howe Institute.

To send a comment or leave feedback, email us at blog@cdhowe.org.

The views expressed here are those of the author. The C.D. Howe Institute does not take corporate positions on policy matters.