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J. Laurent Thibault

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New Developments in Establishing A National Training Approach in Canada

*J. Laurent Thibault**

What I would like to do is to basically go through some of the indicators that we have looked at, some of the things that led to the formation of the Canadian Labour Force Development Board, and talk to you a little about the Board because I think it is quite an unusual institution. It is a new approach to public policy making in the field of training. Finally, I want to give you a systematic overview of what is happening in Canada, how our education and training system works, and what we as a Board are trying to do to improve the situation.

Kent Hughes' comments about the economy were really very much in line with the kinds of things that I might have said so I will pass over some of that, but the kind of changes that he is describing in our economy and in our work-places are very much what is driving a tremendous amount of interest and concern in training now in the 1990s.

For Canada there is a particular aspect of our economy that we have to keep in mind, and I always like to summarize it by using a chart (see chart #1) which is an all commodity price index over the last two decades. As you know, traditionally many of the big income and employment generators in Canada have been commodity resource-based types of industry. The trend in commodity prices, although there are ups and downs, is clearly heading downward. Peter Drucker has shown clearly that a unit of economic growth today contains much less of the traditional hard commodities that it did in the past decades. This implies a great challenge for Canada. If you go to the East Coast where thousands of people are coming out of the fisheries where we have reached the limits of the stock of fish; or if you go to the forest industry areas in most parts of Canada and you see the pulp and paper mills struggling; and mining towns struggling; if you go to the Saskatchewan prairie economy where the price of grain is way down from where it used to be and you see that economy struggling, you can see physically in Canada the kind of difficult transition we have to make from a resource-based economy to a very different kind of economy.

This conceptual chart (see chart #2) spreads over a couple hundred years and shows that most economic and social curves have a kind of 'S' shape. There is a period of growth and a plateau period. It is

* Co-Chairman of the Canadian Labour Force Development Board, Ottawa, Ontario.

The following text was compiled from the transcript of the oral presentation made by Mr. Thibault at the Conference.

quite clear that we are moving out of a lot of traditional, energy-intensive mechanical industries, and moving rapidly to a whole new set of industries that are information and technology based. That transition, of course, is why it is so difficult for people to figure out what is happening and to cope with the change that is going on. And that transition is proportionately more important in Canada because of the nature of our economy.

Our balance of merchandise trade in Canada, largely based on exports of commodities, has traditionally been positive (see chart #3). It was fairly strong during the 1980s, but has weakened quite dramatically and seems to be on a downward trend. Our services balance is also on a sharp declining trend, a lot of which has to do with our foreign indebtedness. The current account, which is the balance between the two, shows that we have accumulated significant problems.

When you measure how Canada earned its way in the global economy, we are really starting to struggle because the big income generators are no longer there to do the job for us. We also spent much of the 1980s denying the reality of the necessary transition and adjustment we have to make, and getting ourselves up to our eyeballs in debt. As evidence of this, look at the debt to the GDP ratio, for example in the early 1980s (see chart #4).

We started getting into difficulty a little earlier than the United States did in the 1970s but, basically, we have come out of the 1980s with both countries heavily indebted at both federal and provincial levels of government. The point is that now we are in the decade of the 1990s where there is a tremendous amount of change in our industries, and a tremendous demand for adjustment funds and resources. And yet most of our senior government officials, at least in Canada, have at least one, if not both, hands tied behind their back.

What this means is that we have to address the training challenge in very novel ways because we simply cannot throw the money at it that we have been able to in the past due to the inefficient use of government resources.

This next chart (see chart #5) basically tries to show what has to happen in the forest industry. In Canada, it was not so long ago that we had trees in abundance and we were cutting them down at a furious rate and not even bothering to replant them. Somewhere along the way, we learned that we should start replanting them. The future, of course, is new strains of trees, new products, new higher-evaluated products, and a much more sophisticated approach to the whole forest industry. This is what has to happen to virtually every industry. Every type of industry is moving to a much more sophisticated and complex kind of product or service, the kind of things that Kent Hughes talked about, and that, of course, creates a whole new demand on the labor force. What this means is that you have rising skill requirements.

This next chart (see chart #6) is from our now defunct Economic Council in Canada. Their estimate was that the new interesting and growing jobs of the future will require a lot more years of schooling and great deal more technical skills.

Our demographics are also very interesting in Canada. The share of labor force of the youth category, fifteen to twenty-four years old, and the proportion of young people coming to the labor force has dropped off and probably will drop some more (see chart #7). The point being that the renewal of our labor force in our skills through young new entrants is not at the same pace as it was before. There is a much greater challenge now of reskilling the existing labor force which is getting substantially older.

All of that, of course, means that there is a tremendous demand for training and reskilling. There are changes in the workplace; changes in the structure of our industries; changing demographics; and rapid changes in the ethnic mix of our population. You can go to some schools in Toronto now where the majority of the kids do not have English or French as their mother tongue. And I remember touring a factory in Toronto where the manager was trying to find a supervisor who speaks Vietnamese. This is the Canadian labor force today and it is going to get even more diverse as the inflow of immigrants increases from Asian countries.

We are very fortunate in Canada that we do spend a lot of time and effort on education. We have, for example, one of the highest average levels of schooling of most labor forces (see chart #8). We know that education is important. However, I think there are a number of warning signs all around us. We know, for example, that the literacy skills of our labor force are not what they should be. In no province is there any more than seventy-two percent of the people that were judged to be functionally literate according to a simple test (see chart #9). In fact, in the eastern part of our country, up to sixty percent of the labor force is measured to be functionally illiterate. They do not have simple language and reading skills because much of our economy in the past did not require it. If you graduated from grade nine or ten, you ended up in a pulp mill and were earning high wages from day one. One did not worry too much about effective reading and writing. But these jobs are disappearing very quickly and the old labor force is stuck now with an inadequate base skills for tomorrow's economy. You can see the same pattern for math skills (see chart #10).

The existing labor force then has a set of skills which, in many cases, particularly older workers, is quite inadequate for the demands of today's labor market. We also know that a significant part of the inflow of young people is often measured to be quite poorly equipped in their literacy and math skills as well. In other words, the current schooling that they receive does not necessarily give them the skills mix

that today's jobs require.

In fact, as somebody mentioned, our young people are really getting turned off. Chart #11 shows the so-called "dropout rate" for each one of our economic regions. You can see on average somewhere around thirty percent of our young people leave the high school system without actually completing Grade Twelve. Yet, I do not think there is any employer in the country now that does not ask the question of anybody who walks in the door for any job, "Have you got your high school diploma?" A lot of kids get recycled through school one way or the other, but they have wasted a tremendous amount of time. Like the U.S., Canada also has a very serious problem in the transition from school to work.

All of these things do matter for economic performance. For example, we know that the rate of growth in productivity in Canada in the manufacturing sector over the past decade or so is one of the lowest among industrialized countries (see chart #12). We have a very high level of productivity, as we know, but we have been marking time. We have been standing still, mesmerized by the level of comfort that we have had and maybe not working very hard at improving it. And you can see that also with real income (see chart #13). The economy is bigger, there are a lot more people around, but the real income person, in fact, has been static in Canada for over a decade. Somewhere in the 1980s we fell asleep as a country and now everybody is waking up, we are up to our eyeballs in debt, and we have to roll up our sleeves and do something about it.

A couple of years ago the Department of Employment and Immigration in Canada did a lot of analysis in its programs, and created several consultative task forces trying to develop a new innovative approach to labor market programming to solve some of the problems that I have just described. A number of important ideas came out of that. The first conclusion was that it was simply no longer adequate for Canadians to do what they traditionally have done, which is to say, "It's the government's problem." We needed to have a system that also mobilized and involved the private sector, particularly business and labor. Secondly, we could do a lot better utilizing the resources that we have available from the public sector if we pushed the decision-making much closer down to local communities. So the Board came into being to try to implement these ideas.

The Canadian Labour Force Development Board was set up in June of 1991 basically as a national institution to try to mobilize the private sector in partnership with the public sector to tackle the challenges in training. The Board is a different kind of institution. It is a non-profit, incorporated, independent organization. It is not beholden to any particular minister or any particular government. We set it up that way because we did not want a short-term exercise. We are talk-

ing about a five- or ten-year horizon, and we wanted an institution that would withstand the political cycle. In fact, we spend a fair amount of time speaking to opposition parties to make sure they understand what we are doing so that after the next election, if they form the government, they will not come around and say, "That was a nice idea but we do not like it."

Our mandate is to provide broad strategic direction to ensure the development of a skilled work force. The deal is that if we do our work properly and achieve consensus, and we make recommendations to government, they will basically act on what we say. If and when they do not and we have a major difference, then we will have a bit of a crisis on our hands and we will see where it leads us. We have not had that problem yet.

One of the reasons the Board is, I think, different and effective is the composition. We have eight business and eight labor members including two co-chairs, one from business, which is myself, and one from labor, who is Gérard Docquier, the former head of the United Steelworkers in Canada (the Canadian part of the United Steelworkers). We also have representatives from education and training, which rounds out the four equity groups. This is in recognition of the changing mix of our labor force. We have invited both levels of government to sit on the Board as well. There is basically no important constituency that has been left out of the loop, and that is quite deliberate.

What this composition also does, although it means a very complex decision-making process, is to move everybody forward together. There is nobody outside throwing rocks at us because they have all had a chance to tell us what they think and deliberate with us. That also gives the Board a remarkable degree of credibility and influence.

Another important aspect of the Board, unlike previous kinds of institutions, is that the members were not chosen by the minister. The people on the Board, including myself, are nominated by our constituencies. So in my case there are fifteen national business organizations that I meet with every quarter, and I tell them what we are doing. I get their input, and they have a process for nominating the business members on the Board. This process achieves a commitment to the institution. It is not just another board that people do not have to worry about too much, including governments, because the network that we have is quite large. The woman who represents the women's group has twenty-three national women's groups that she interacts with; and so on with visible minorities and other constituents. The education community involves seven national organizations, such as the universities, the colleges, and the private trainers. Interestingly, it is the first time national education groups have ever got together at the national level to form a reference group. They did so in order that they can interact with our board.

I will conclude by showing you some of what we are trying to do at the Board. I am going to show a diagram (see chart #14) here which is going to look very complex to you, but I will take you through the pieces of it and I think when I am finished you will see what it all means. Basically it is an attempt on one page, to explain how our system of education and training works and what we are trying to do. I am going to start at the bottom.

You basically start with the fact that we have, as the lower block shows, a primary secondary education system in which, at one point in time in Canada, there are over five million kids and it costs us about thirty-four billion dollars to operate. Coming out of that "stock" there is a "flow" which we have broken down into various components. About fifteen percent of the kids go to university (about 70,000 kids), and universities costs about \$9.7 billion to operate in Canada. Another hundred thousand or so go directly to community colleges or CEGEPS, as they call them in Quebec, and that costs about \$3.7 billion to operate. About 90,000 kids come out with a Grade Twelve diploma and go directly to the labor market. Finally, close to 200,000 kids leave the school system without even Grade Twelve and go out and look for a job. I will come back to that in a moment.

We have a relatively small flow, (about 30,000 kids) into the trade vocational schooling system and we have a relatively small apprenticeship system which absorbs about 50,000 kids. That is the traditional apprenticeable trades of the kind that they had in Germany. We also absorb a quarter of a million immigrants in Canada every year, right across the system in all the age groups.

As you can see, relative to the inflow from the schooling system, an inflow of 250,000 immigrants, most of whom are at some point looking for a job, poses a very big challenge in terms of recognizing their skills and, of course, their need to learn English or French. This block is meant to show the labor force of about 12.5 million people employed at any point in time. In the private sector there is (according to the labor force survey which we just completed) at least \$3.5 billion worth of private sector training. That is structured training of some kind or another.

To complete the picture, we have about a million unemployed adults and about 430,000 young people unemployed (ages fifteen to twenty-four). We disburse over twenty billion dollars per year to sustain the income of all these people without a job.

The two blocks arranged vertically on the left are meant to show the federal government expenditure on training support, totalling some three and a half to four billion altogether. Of this total, some \$2.2 billion (for this year) is called "Developmental Uses." Since about three years ago the law now permits up to fifteen percent of UI funds to be used for so-called "Developmental uses." That is direct support for peo-

ple in training. Our Board is charged with trying to determine what that amount should be and how that should be used most effectively. That is an innovative way of using the UI. The federal government also spends about \$1.6 billion in traditional programs, mostly for the employed work force. You can think also of adding about fifteen billion dollars of Social Assistance, and perhaps another one billion dollars of provincial programming, and you have a broad picture of what is happening in Canada in terms of education and training.

The Board is trying to do a number of key things. First of all, we are trying to use Unemployment Insurance funds more actively. The basic rules in the past have always said if you do not have a job, unemployment insurance will support your income for a certain period of time but you have got to be out looking for a job. The problem with that, of course, is that there is a lot of older people coming out of jobs that have disappeared that do not have the skills to find another job. So they have to be reskilled, and we are trying to do that.

The second thing we are trying to do is expand private sector training, generally to create a training culture, if you will. We are also trying to think of a way that we can more effectively assess the skills of new immigrants and give them language skills. We have a permanent committee looking at expanding and improving the apprenticeship system, because we think that is a good, basic approach to training.

The university system is basically a well-developed system in Canada. If you want to be an accountant or engineer or a lawyer, the career paths are generally pretty clear, the system is well funded, and the professions are well recognized. In fact, the whole value system tries to move the kids to university. But the reality is only about fifteen percent of the kids ever get there. The rest all end up in the more technical trades.

So what we are trying to do with our standards initiative is to see if we can get the private sector through a sectoral approach to come to grips with the occupations in their particular industry, whether it is printing, or tourism, or whatever. We need them to define those trades in terms of occupational standards, training standards, and move the kids from school into the labor market through better defined career paths. The German system has been mentioned a number of times during the Conference. They have close to 400 apprenticeable technical trades that are highly structured, and the kids can choose. And they have a clear career paths for these trades. They know what the training is. When they come out of apprenticeships, they get a certificate and they can work anywhere in the labor market. That is the area where we think we have a major weakness in Canada. We have really failed the kids in most of the technical occupations and the trades. The reality is that this is where most of them end up working, but we do not help them very much to get there.

We are trying to improve the system in those limited ways as best as we can. We are not particularly dealing with the primary and secondary schools directly, although it is very clearly recognized that we have to effectively link with them. As the kids come out of our schools, we will never get a good labor force if we cannot figure out a way to at least get them through Grade Twelve and into structured long-term learning paths, in whatever occupation they choose.

Finally we are also trying to create partnerships, similar to the national Board, at the provincial and at the local level. Again, that is mobilizing business and labor and everyone else concerned in each province. Our intention is eventually to give the local labor force development boards the funds and let them spend it in the best way that they feel is appropriate for their community to solve their training problems. The big question we always get asked, and it is still difficult to answer, is: "Training for what?"

One thing I can tell you for sure, you are not going to find the answer with econometric models in Ottawa trying to desegregate by sector and occupation. The answer will be in the real live workplace, figuring out who is hiring, who is not, who is expanding, who is closing down, and how you recycle people at the local level. That, in a nutshell, is what we are trying to do.

Chart #1

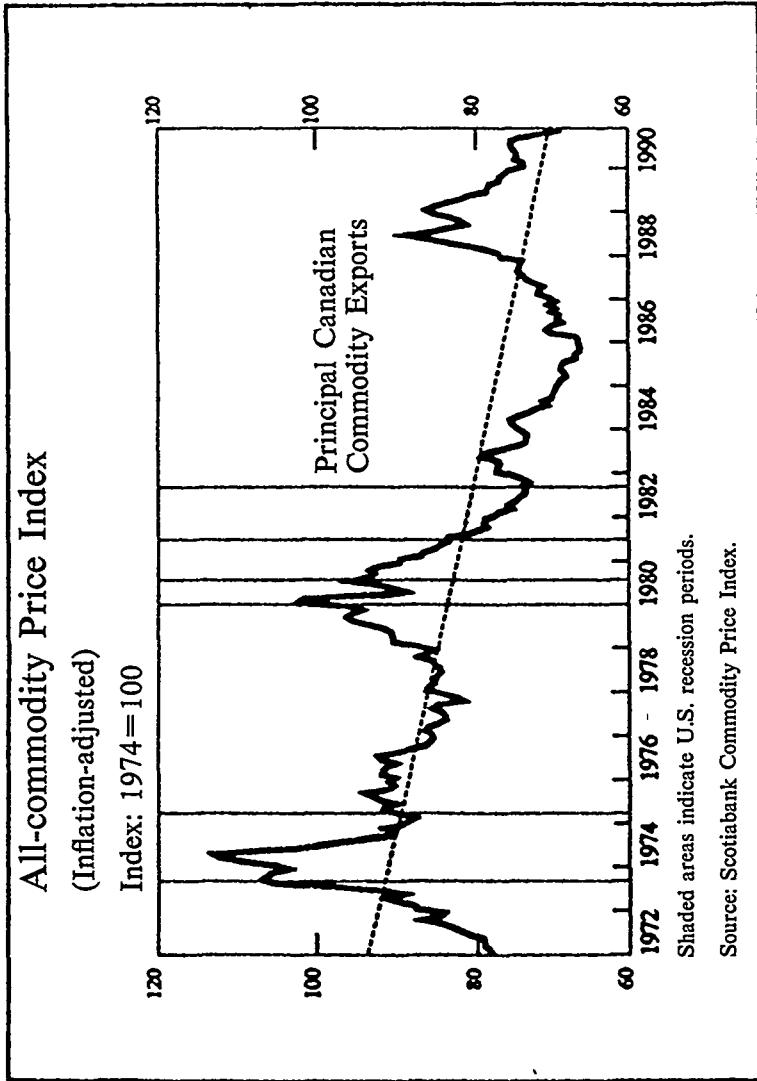
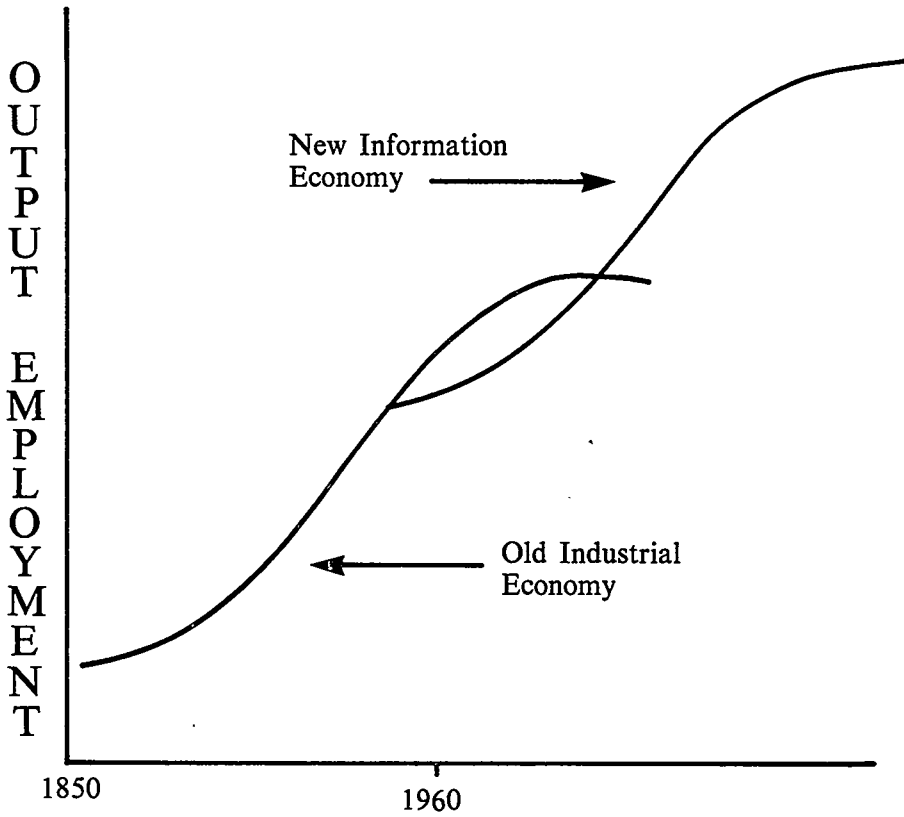


Chart #2



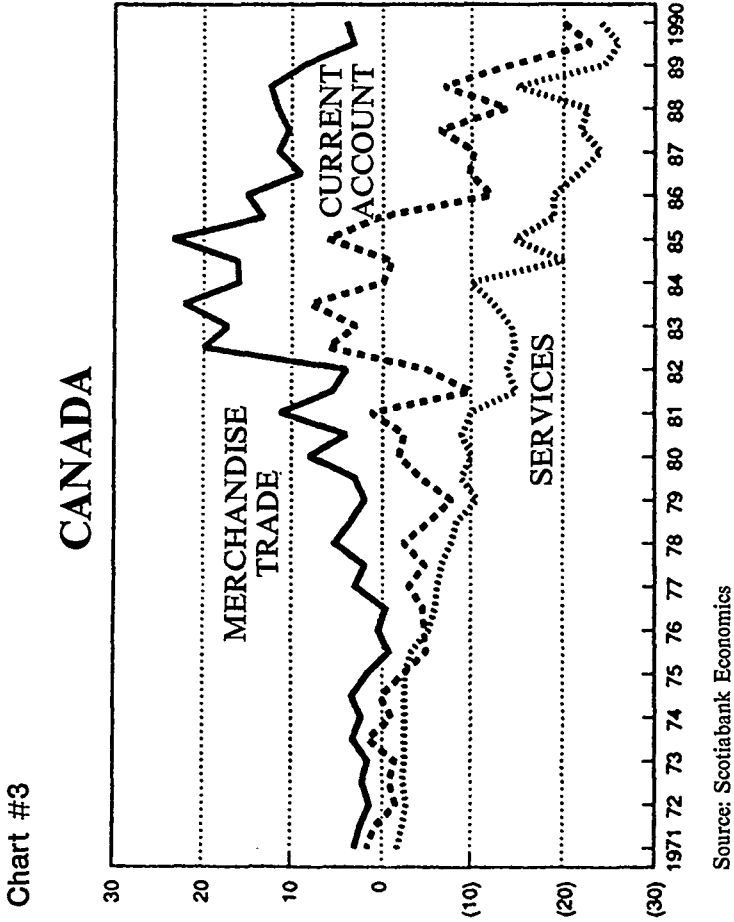


Chart #4

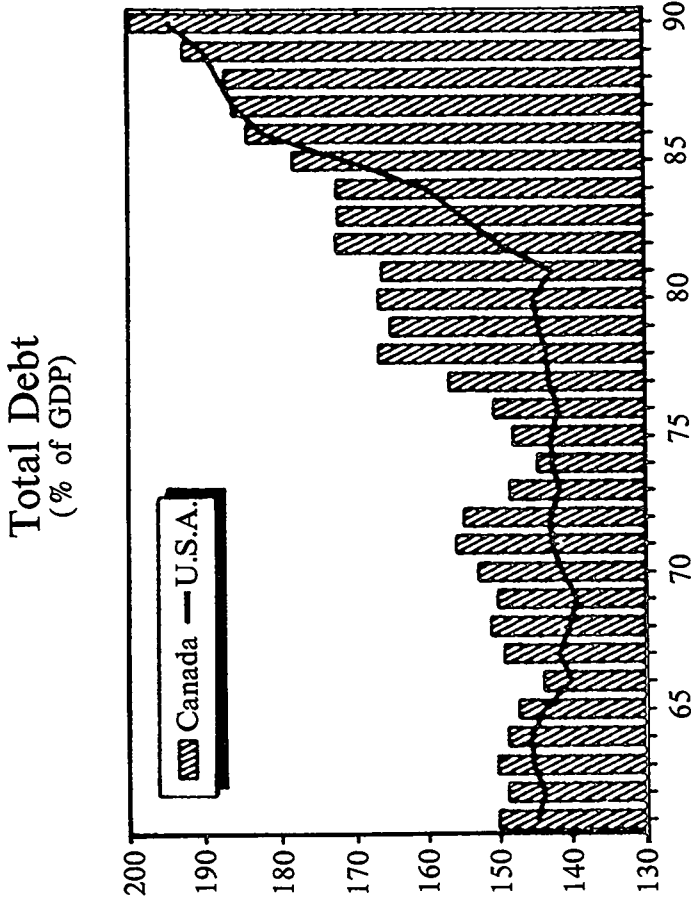


Chart #5

APPROACH TO ANALYSIS:

LEVELS OF DEVELOPMENT

OF - HUMAN RESOURCE

- BUSINESS
- SOCIETY
- NATIONAL ECONOMY
- ETC.

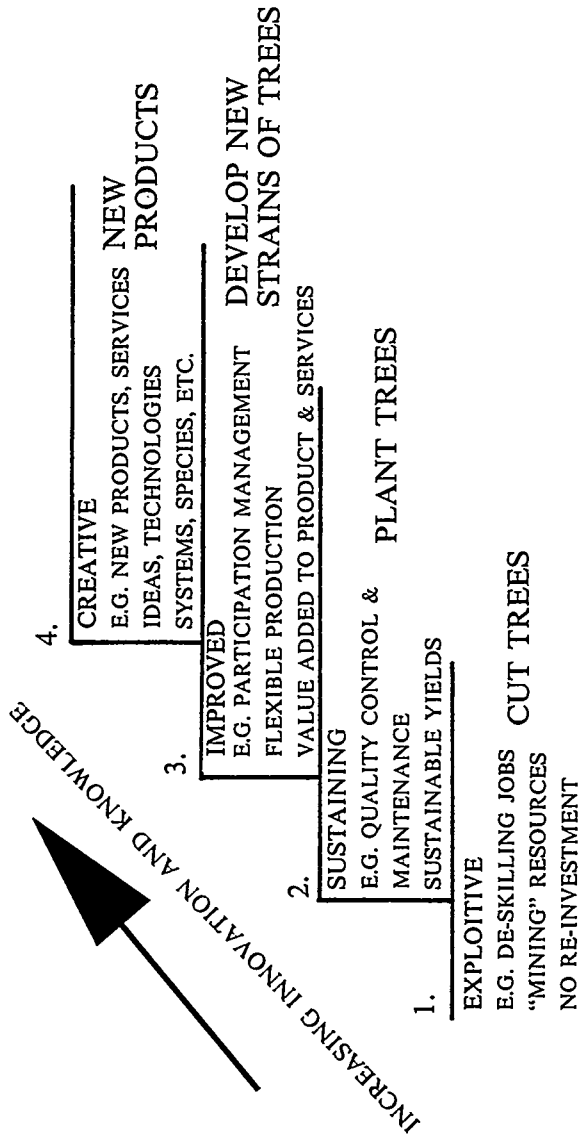


Chart #6

Rising Skill Requirements

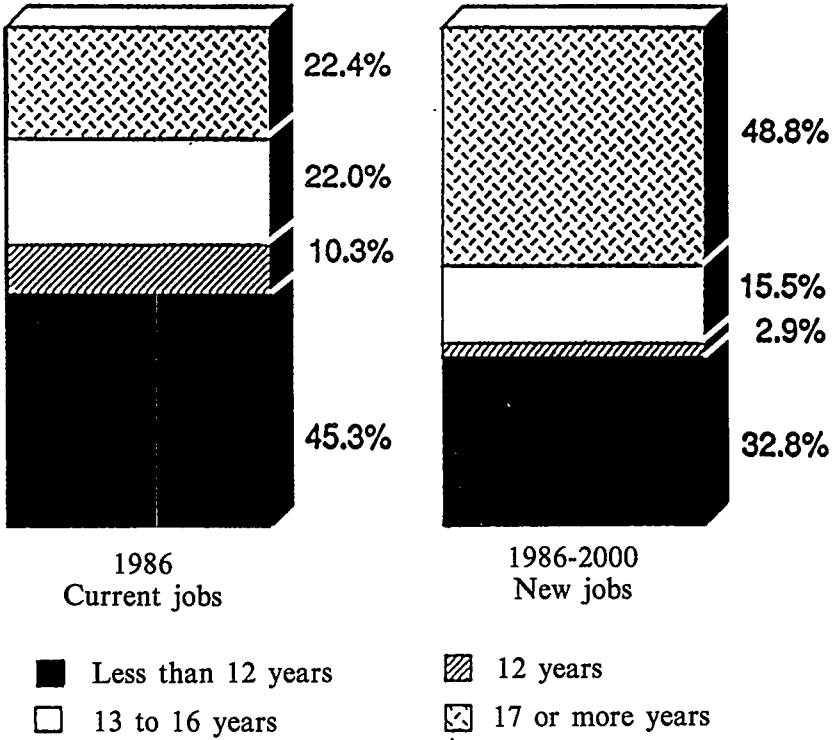


Chart #7
Demographic Constraints, 1961-2000
Youth (15-24 years) Share of Labour Force

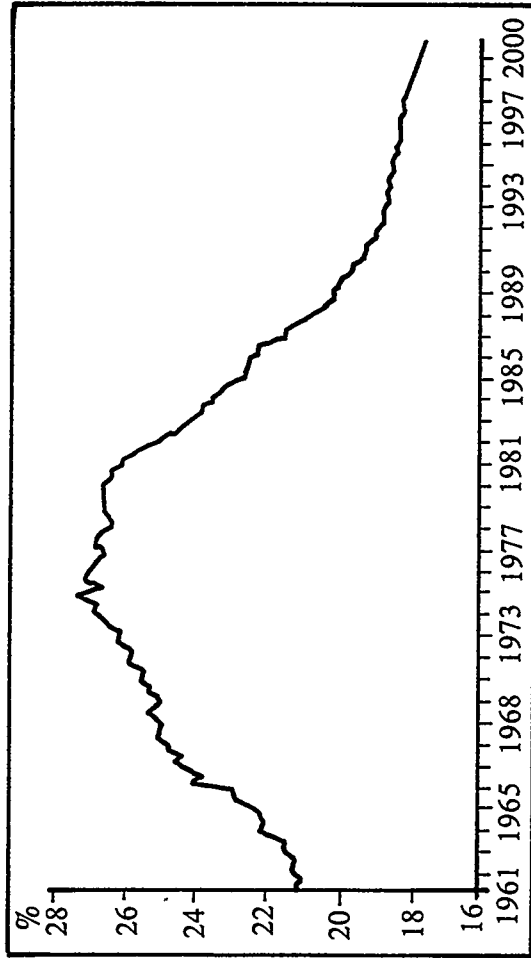


Chart #8
Average Level of Schooling of the Labour Force,
Canada, United States and Nine Other Developed
Countries, 1981 or Latest Year Available

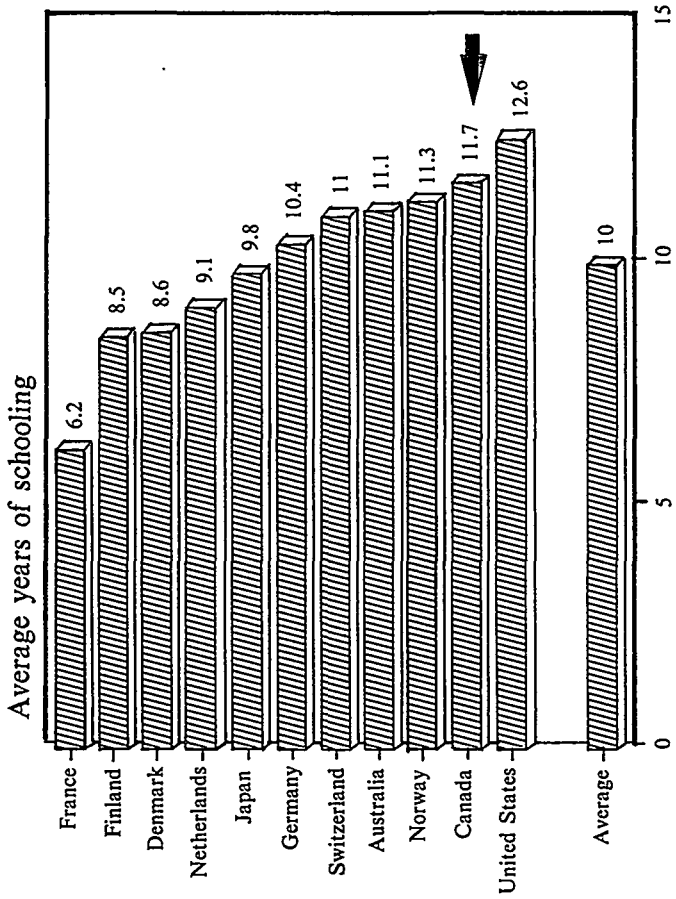
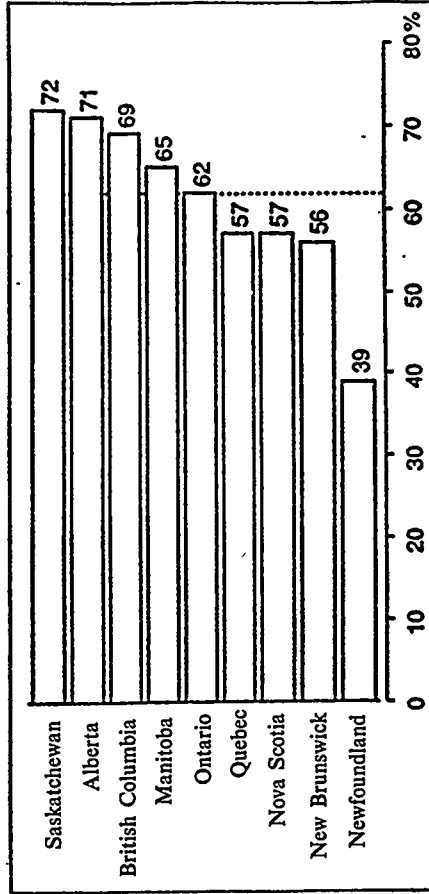


Chart #9
**Statistics Canada Survey of Literacy Skills
Used in Daily Activities, 1989**
Aged 16-69, Reading Level 4*



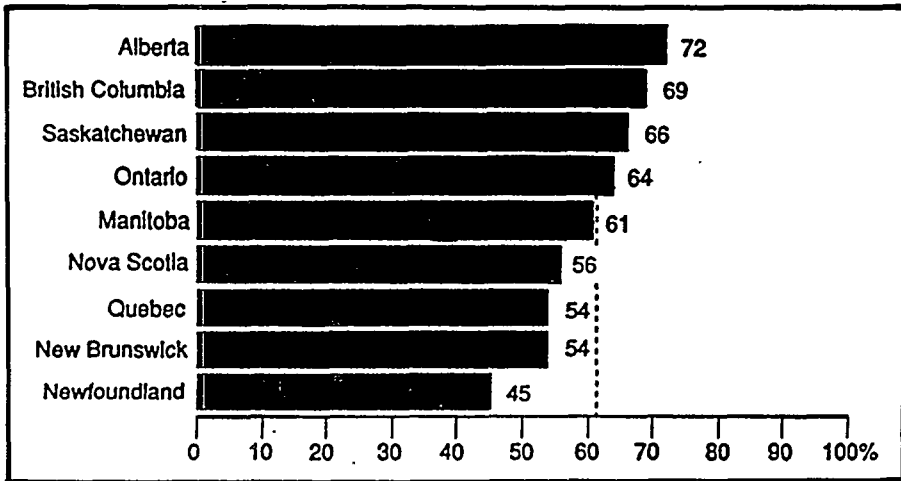
WEST → EAST rank correlation = .900

$p < .001$

Canada average 62 per cent.

*Canadians at this level meet most everyday reading demands.

Chart #10

**Statistics Canada Survey of Numeracy Skills
Used in Daily Activities, 1989****Aged 16-69, Numeracy Skill Level 3***

WEST → EAST rank correlation = 0.804
 $p < .001$

Canada average 62 per cent.

*Canadians at this level can deal with material requiring them to perform simple sequences of numerical operations which enable them to meet most everyday demands.

Chart #11

Apparent Dropout Rate for High School Students, 1987-88

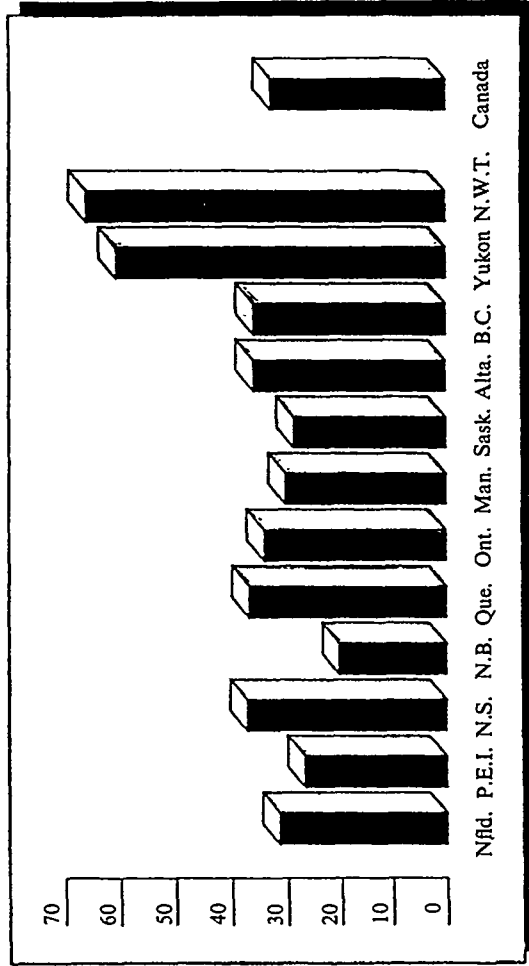


Chart #12

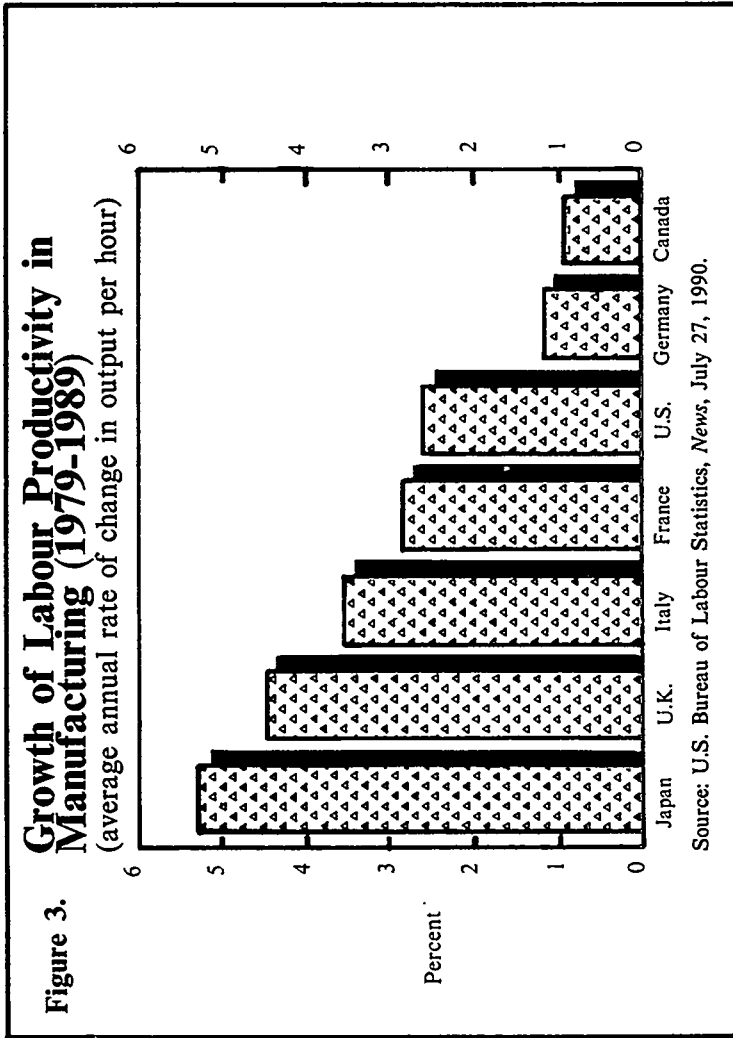
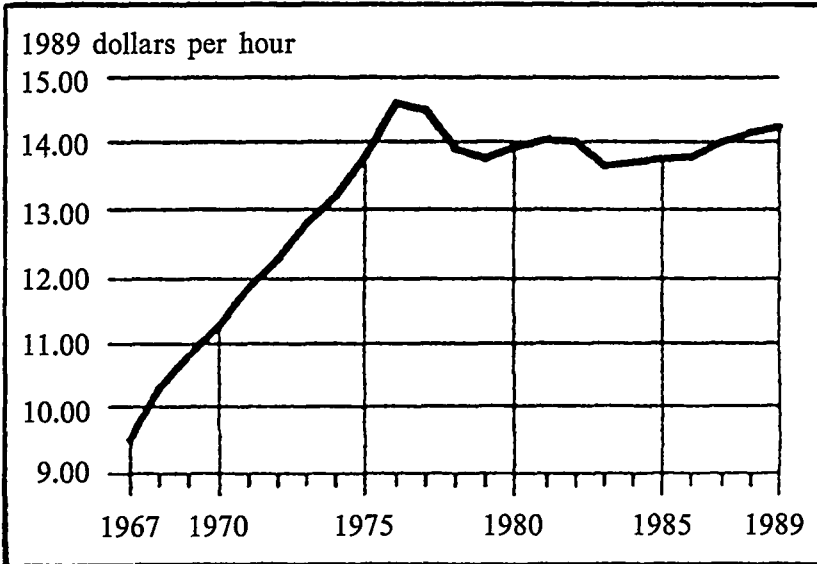


Chart #13

Hourly Wages and Salaries, Canada, 1967-89



Source: Calculations by the Economic Council of Canada, based on data from Statistics Canada, the Labour Force Survey, and data from the Labour Division.

Chart #14

The Canadian Education and Training System

