

PROTECTING OUR MOST VALUABLE RESOURCE



JUNE 2011

THE BUSINESS CASE FOR LIFELONG LEARNING AND JOB-BASED TRAINING



ONTARIO
CHAMBER of
COMMERCE

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EXECUTIVE SUMMARY

The rapid turnover of technology and ever expanding network of data and information which underpin the knowledge economy have led to a reevaluation of the importance of knowledge to the economic process. Economists now conclude that human capital - the ideas, skills, and expertise of people - is a fundamental driver of economic growth. Demand for employees that possess a mix of both “hard” and “soft” skills is rising as companies respond to intensified global economic competition.

In response to the emergence of knowledge as a key factor of economic growth, employers have begun to place a greater emphasis on the skills and education of the workforce. Workforce learning and development has emerged as an important concept and a key private sector priority, with employers increasingly relying on workforce training to supplement traditional forms of post-secondary education. As Ontario’s business advocate, the Ontario Chamber of Commerce (OCC) has an important role to play in advancing a shared understanding of how traditional models of education can be adapted to meet the evolving needs of the business community. As such, the OCC established a Workforce Learning and Development Task Force to consider the following questions:

- How does workplace training benefit employers?
- What is the level of demand for workplace training in the private sector?
- What incentives (if any) are necessary to meet the demand for workplace training?
- What does an ideal model for workplace training look like from start to finish, which works in all regions of the province and all sectors of the economy?

These questions formed the basis for the OCC’s 2010 Workforce Learning and Development Employer Survey. Overall, the survey reveals that the current provincial workforce training system has a number of gaps that limit its contribution to a highly skilled workforce. Recent program innovations at Employment Ontario, namely the creation of a “one-stop-shop” to facilitate a more centralized, uniform model of service delivery, are a starting point for achieving a modernized system that meets Ontario’s needs. However, additional reforms are required to strengthen the efficacy of the workforce training system. In a few words, the government must adopt a client-centric approach to workforce training which targets the skills that are or soon to be in demand and is based on clear, objective, and equitable administrative processes and procedures.

There are two essential prerequisites of a client-centric workforce training system. For one, resources must be coupled with standardized eligibility criteria which enable flexibility and fairness in the design and implementation of training initiatives. Equally important is an institutional structure in which the administration of funds and design of training initiatives is delegated to organizations with the most direct, hands-on knowledge of regional economic conditions.

At the level of Employment Ontario, achieving the first prerequisite would entail a consolidation of all existing funding streams for workforce training into one central fund for training services. This fund would reimburse training costs on an individual or a corporate basis, depending on the needs of the applicant, and would be available to all applicants regardless of the skills or credentials sought, making funding equally applicable to high skill/high wage jobs. Public sector investments would follow demand, and economic productivity would be the key measure of performance.

In light of the positive correlation between continuous learning and Information and Communications Technology, a stand-alone “growth and innovation fund” is a logical compliment to a streamlined workforce training program. As part of the proposed realignment, the government should institute a system of financial support for companies, particularly SMEs, who are dedicated to enhancing skills and boosting business performance through adopting innovative ICT solutions.

The second prerequisite would entail a full-scale transfer of responsibility for program management and delivery from the provincial government to regional, multi-stakeholder training “hubs” that bring together groups with firsthand knowledge of regional economic priorities. These hubs would have a dual function, acting as the provincial government’s agent for the intake, selection, and monitoring of training projects, and brokering relationships between employers, training providers and business resources and services. The stakeholders integral to the success of the system include business associations, educational institutions, non-profit organizations, sector councils, regional clusters, and labour representatives.

Adopting a workforce training system with these features would convey several advantages over the current system. The proposed model would increase the overall amount of funding available through minimizing the Ministry’s involvement in program administration, freeing up substantial overhead savings at no additional cost to taxpayers. By decoupling government funding from predetermined program criteria, the proposed changes would facilitate a more flexible, demand-driven training system, expanding private sector access to funds, and ensuring that clients have the ability to develop training strategies that target the most critical needs.

Equally important, the proposed changes would enable each unit of government funding to be stretched further through enabling recipients to leverage additional resources from third parties with a shared interest in regional economic development (foundations, economic development corporations, lead firms etc). The benefits of resource-pooling cannot be overstated. Resource-pooling has been shown to increase cost-effectiveness through facilitating pooling of risk, economies of scale, and information sharing - which generates greater efficiency by providing the ability to replicate successful models, rather than design new models from scratch.

The final, and most important, component of a competitive workforce training system is the dollars to make it all happen. The Ontario government has wavered on its commitment to workforce training. In the 2011 Budget, the government announced \$44 million over three years to expand literacy and basic skills training by Employment Ontario. This represents a reduced emphasis on workforce skills training compared to the \$90 million over two years invested in 2009. In order to implement a viable vision for workforce learning which recognizes the economic impetus for a stronger government commitment, the government must increase program expenditures to address the pressing need for a comprehensive long-term strategy.

SUMMARY OF RECOMMENDATIONS

The Task Force on Workforce Learning and Development recommends that the Government of Ontario:

1.

Modernize existing workforce training programs by consolidating individually ear-marked funds under Employment Ontario into one central fund which is available to both individuals and workplaces; applicable to all programs delivered by recognized training providers; and predicated on private sector consultation in the design of training projects.

2.

Encourage the most efficient use of scarce resources through transferring responsibility for program administration and delivery to regional, multi-stakeholder training “hubs” that have the dual function of:

- reviewing, approving, and monitoring funding applications; and
- brokering relationships between employers, recognized training providers, and regional economic development partners to support regional economic growth in emerging sectors.

3.

Develop a stand alone “Growth and Innovation Fund” to encourage SMEs to adopt new technologies that facilitate an acceleration in the learning and qualification earning process.

4.

Develop a long-term funding strategy for workplace training which takes into account the projected future demand for job-based training and the value of workforce training to society, ensuring that Ontario’s economy and its labour force are equipped with the skills and competencies of the future.

WORKFORCE LEARNING AND DEVELOPMENT: A KEY LEVER OF INNOVATION

Business productivity is consistently singled out as one of Ontario's greatest economic challenges. Technological upgrading and knowledge transfer have traditionally been low priorities for Canadian businesses, and Canadian companies invest significantly less than their peers in key drivers of innovation such as machinery and equipment, Information and Communications Technology (ICT), and software. As measured by the Task Force on Competitiveness, Productivity and Economic Progress, the investment of Ontario businesses in ICT is 32% less than the US, which accounts for a major portion of the province's overall productivity gap¹.

There is a growing awareness that success in global value chains requires both more advanced knowledge to enable a higher degree of economic specialization, and more elastic knowledge to facilitate continual technological upgrading and organizational innovation. In other words, demand for employees that possess a mix of both "hard" and "soft" skills is rising as companies respond to intensified global economic competition.

The level of investment in ICT is closely related to what is considered to be the most important determinant of economic productivity, human capital. The rapid turnover of technology and ever expanding network of data and information which underpin the knowledge economy have led to a reevaluation of the importance of knowledge to the economic process. Economists now conclude that human capital - the ideas, skills, and expertise of people - is a fundamental driver of economic growth. There is a growing awareness that success in global value chains requires both more advanced knowledge to enable a higher degree of economic specialization, and more elastic knowledge to facilitate continual technological upgrading and

organizational innovation. In other words, demand for employees that possess a mix of both "hard" and "soft" skills is rising as companies respond to intensified global economic competition.

In order to address the imperative of a more skilled and adaptive workforce, the Ontario Chamber of Commerce assembled a Task Force on Workforce Learning and Development. The mandate of the Task Force was to identify the key pillars of an economically competitive workforce training system that could be delivered in partnership with education institutions, community service providers, and employers. In particular, the Task Force sought to answer the following questions:

- What is the level of demand for workplace training in the private sector?
- How would workplace training benefit employers?
- What incentives would be necessary to make workplace training widely available?
- What does an ideal model for workplace training look like from start to finish, which works in all regions of the province and all sectors of the economy?

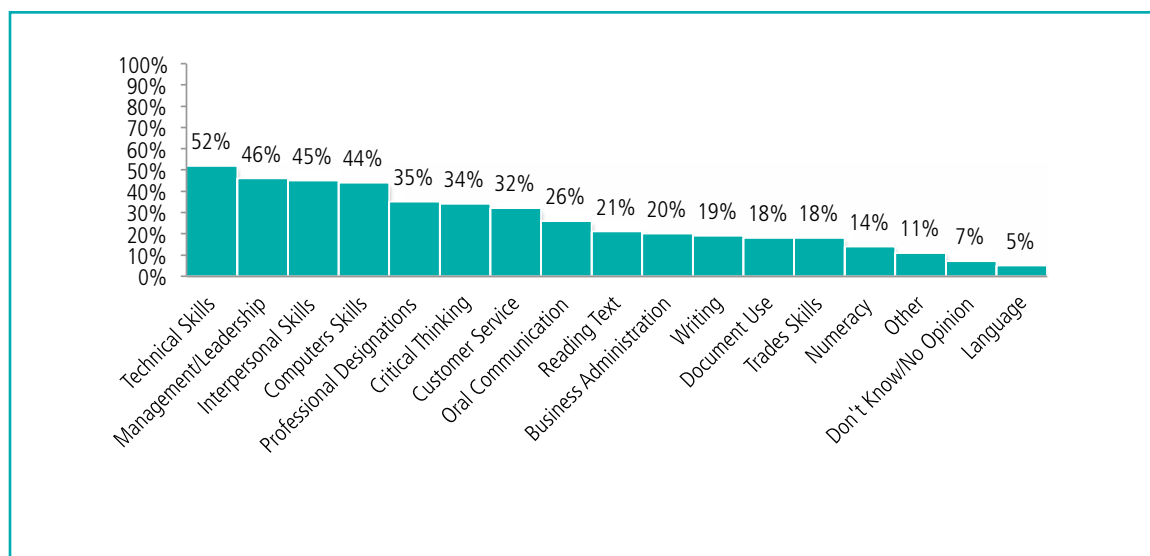
The Task Force was comprised of representation from the business and education sectors - including universities, colleges, and community service providers. In order to determine the economic rationale, gaps, and policy implications of a more competitive workforce education system, the Task Force developed a Workforce Learning and Development Survey addressing these core themes. One hundred and sixteen businesses from all sectors and regions of the province responded to the survey. The full survey results are included in the Appendix to this report.

The 2010 employer survey confirmed that more advanced and multi-dimensional skills are required to support future economic growth in the province. As shown in Figure 1, of the 98 percent of respondents who had offered some form of support for workforce learning and development over the past two years, the five skills they invested in most heavily were, in order:

- technical skills
- management/leadership skills
- interpersonal skills
- computer skills
- professional designations

¹ Task Force on Competitiveness, Productivity and Economic Progress, *Today's Innovation, Tomorrow's Prosperity*, 2010. (Toronto: Institute for Competitiveness and Prosperity) p. 38. http://www.competeprosper.ca/index.php/work/annual_reports/annual_report_todays_innovation_tomorrows_prosperity/

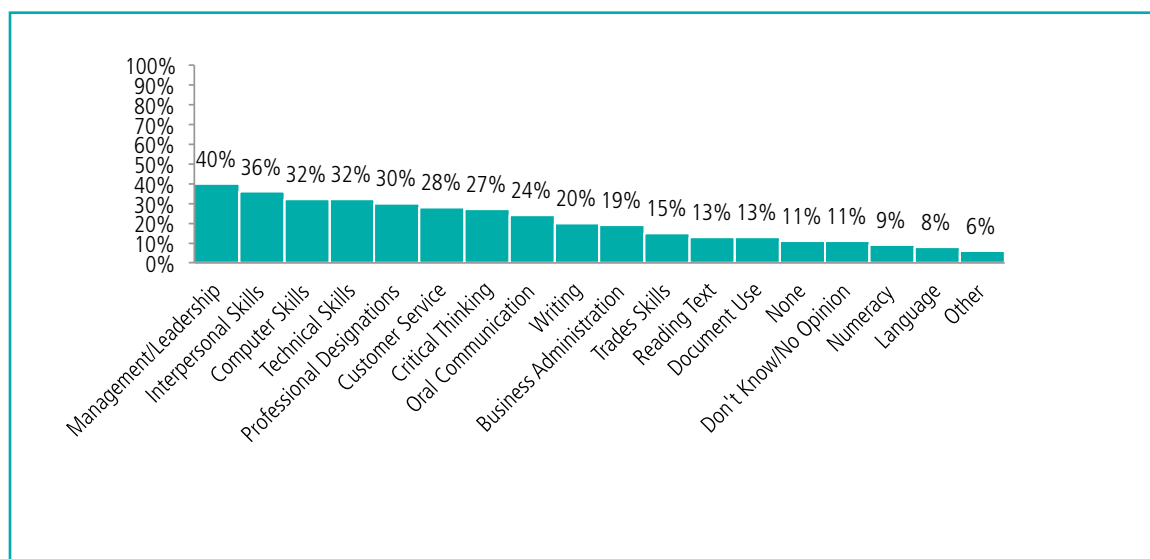
FIGURE 1: WORKFORCE SKILL REQUIREMENTS 2009 - 2010



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

Figure 2 illustrates that these same five skills were also viewed as the most important current training priorities, with management/leadership skills and interpersonal skills coming out on top. These results suggest that Ontario's economic growth increasingly relies on a broader array of specialized skills which find expression in a more creative and dynamic workforce. This inference is supported by the Organization for Economic Cooperation and Development's (OECD) work on innovation, which suggests that innovation places a growing imperative on employee involvement, inter-personal skills, teamwork, and problem solving skills, alongside traditional cognitive skills².

FIGURE 2: PRESENT EMPLOYER SKILL REQUIREMENTS



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

These findings have important implications for how we view the relationship between innovation and education. As Ontario's Workforce Shortage Coalition (of which the OCC is a member) has pointed out, in order to contribute to sustained economic growth, Ontario's education system - from kindergarten through to postsecondary education - must become more adaptable by tailoring programs to changing labour market

Putting these ideas into practice requires a fundamental shift in how education is conceived, which places increased emphasis on lifelong learning and job-based training as key principles of economic sustainability and social development.

needs and targeting curricula to a wider range of real world applications. It is the contention of the Workforce Learning and Development Task Force that putting these ideas into practice requires a fundamental shift in how education is conceived, which places increased emphasis on lifelong learning and job-based training as key principles of economic sustainability and social development.

These principles are recognized by the OECD as central pillars of a competitive education system. With respect to lifelong learning, the OECD has stated that, "increasingly, the differences in human capital between countries will depend not on the quantity of education, but on quality - the success of education systems at developing people's full talents and abilities across the course of their lives, from preschool to the workplace³." As OECD research shows, job-based training is a fundamental component of this model, as real world initiatives - with their built in flexibility - are better placed to provide training in specialized skills than traditional classroom methods.

THE ECONOMIC CASE FOR INVESTMENT IN WORKFORCE TRAINING

Achieving an education system that prioritizes lifelong learning in the context of the workplace requires the support of all stakeholders in Ontario's economy, including government, business, service providers, unions, and employees.

Canada's consistently poor track record on productivity has led to a widespread perception that Canadian businesses have an attitude of complacency when it comes to investing in the key levers of innovation, including human capital. In his timely report *People Without Jobs, Jobs Without People*, Rick Miner suggests that Canadian businesses have been slow to invest in workforce training compared to their counterparts in other jurisdictions. In 2005-2006, Canadian firms spent 1.88 percent of their payroll on training, compared to the US average of 2.25 percent⁴. Ontario firms would appear to be responsible for a large share of this gap, investing proportionately less in formal training than British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, and New Brunswick.

Despite the adverse macro-economic climate, the vast majority of companies that responded to our survey indicated that they had invested in some form of workforce training over the past two years.

The low rate of private sector investment in workforce learning and development helps explain why Ontario continues to be outperformed on key measures of productivity. Technological and organizational innovation are dependant on the availability of a skilled human resource base to tap and synthesize complex knowledge in the context of the production process. However, we should be careful about drawing conclusions about the

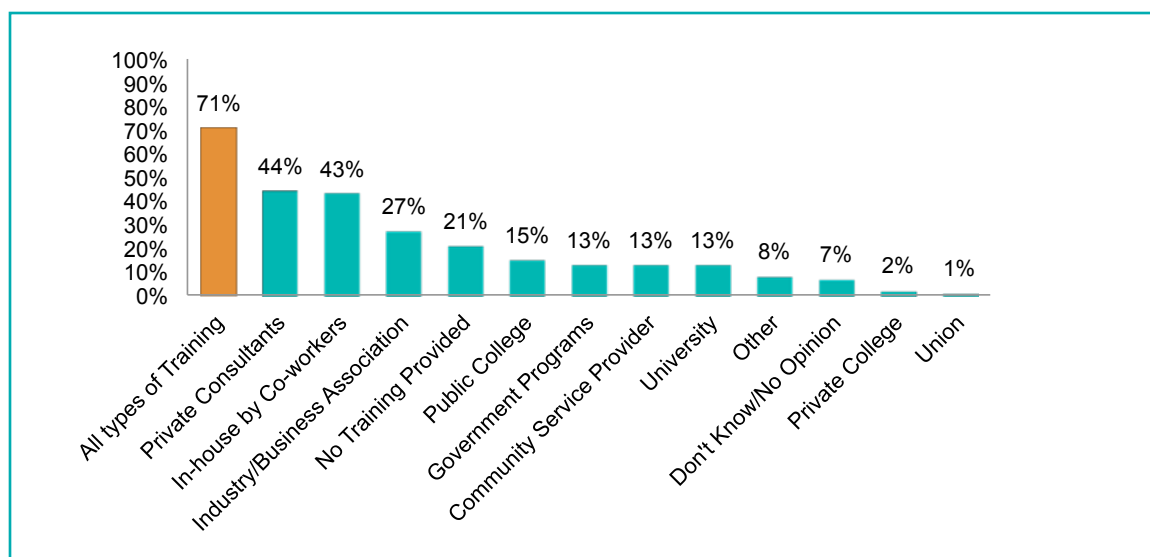
attitude of Canadian firms on the basis of 2005-2006 statistics alone. While the nature of the data we collected makes direct comparison to available statistics difficult, the evidence points to a positive trend in employer perceptions of the value of workforce learning and development. This is especially the case given that much of our data spans the past two years, during which the effects of the financial crisis were at their height, and the public and private sectors were scaling back spending on all but core operations.

Despite the adverse macro-economic climate, the vast majority of companies that responded to our survey indicated that they had invested in some form of workforce training over the past two years. Respondents were asked to differentiate between investment in in-house and offsite training. In both cases, only one fifth of companies indicated that they had not invested in workforce training in the specified time period. With respect to in-house training, Figure 3 reveals that 71 percent of respondents reported providing some form of training, with the largest share of investment going to private consultants, in-house training by co-workers, and professional/business associations, respectively.

3 *ibid.*

4 Rick Miner, *People without Jobs, Jobs Without People: Ontario's Labour Market Future*, 2010. (Toronto: Miner Management Consultants), p. 16. <http://www.workforcecoalition.ca/downloads/people-without-jobs-jobs-without-people-final.pdf>

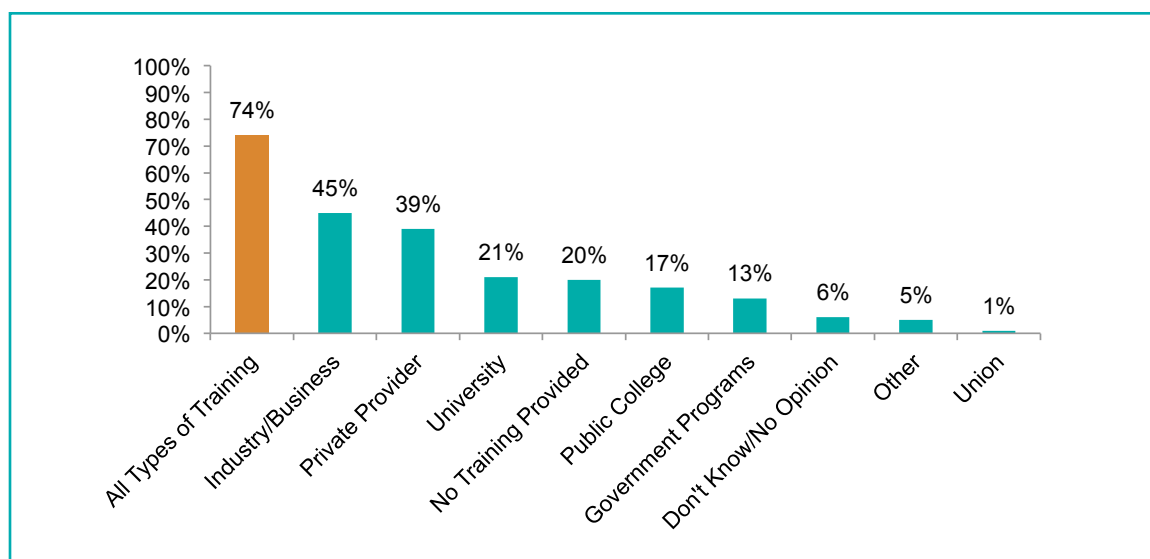
FIGURE 3: INVESTMENT IN IN-HOUSE TRAINING 2009 - 2010



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

In the case of offsite training, the proportion was marginally higher. As Figure 4 illustrates, 74 percent of respondents reported some form of investment in third party training. There was a stark contrast between investment in private sector programs and other forms of training. While just under half of all employers surveyed had provided funding for offsite training by either industry/business associations or private service providers, a fifth had opted for university or college continuing education programs.

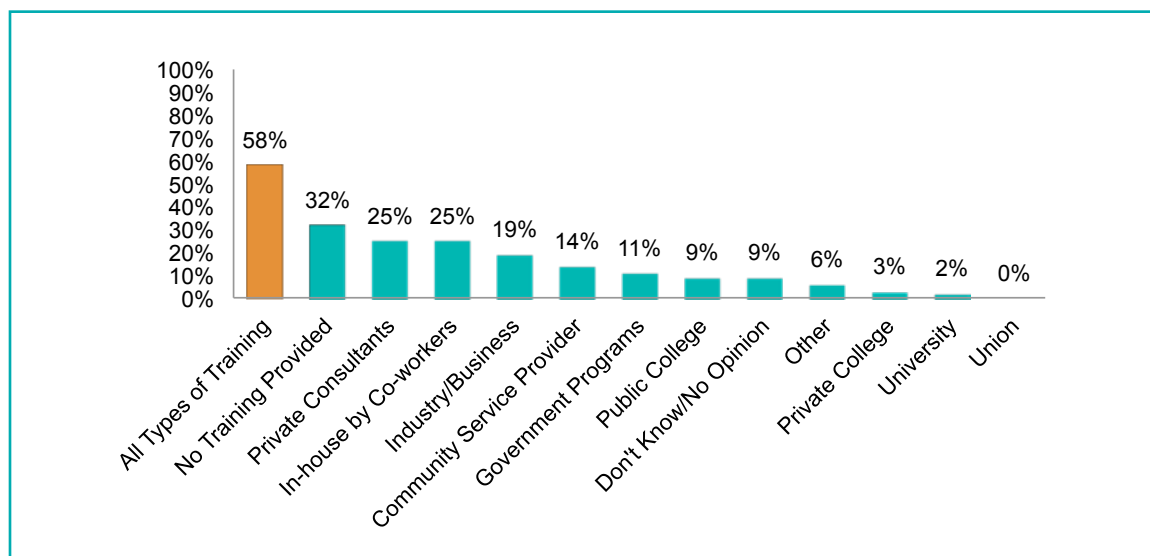
FIGURE 4: INVESTMENT IN OFFSITE TRAINING 2009 - 2010



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

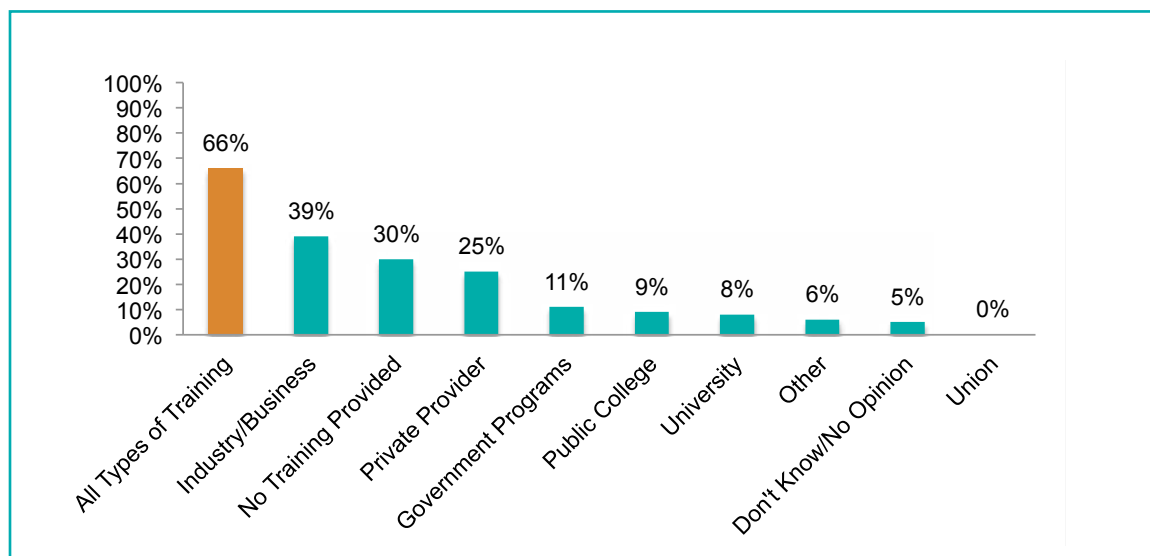
The results reveal a similar although less pronounced trend when isolated for small businesses (defined as businesses with 1-19 employees). Although there was less overall investment in workforce training by this category, the results nevertheless indicate that small businesses place a high priority on continuous learning. Of the small businesses surveyed, only one-third indicated that they had not provided financial support, whether in the form of on- or offsite training, for employee training in the past two years. The results in Figure 5 and Figure 6 reveal that nearly 58 percent of small businesses had provided support for some form of onsite training, while 66 percent had done so in the case of offsite training programs.

FIGURE 5: INVESTMENT IN IN-HOUSE TRAINING BY SMALL BUSINESSES 2009 - 2010



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

FIGURE 6: INVESTMENT IN OFFSITE TRAINING BY SMALL BUSINESSES 2009 - 2010



SOURCE: OCC 2010 WORKFORCE LEARNING AND DEVELOPMENT SURVEY

The fact that the vast majority of businesses continued to invest in workforce training throughout the economic downturn suggests that Ontario employers place a strong priority on workforce learning and development. One can infer from the evidence that the attitudes of Ontario employers concerning the value of workforce training have shifted over time. That employers increasingly view continuous learning as a prerequisite to success in the global marketplace is supported by the fact that all of the businesses surveyed indicated that workforce learning and development has a positive impact on their bottom line. Over three quarters of respondents drew a link between continuous learning and increased quality of output, improved service, and increased staff morale and motivation.

The finding that businesses view a skilled human capital base as a necessary condition of success is confirmed by the small number of respondents who identified lack of employer interest as a barrier to workforce learning and development. Only six percent of businesses indicated that lack of employer interest has a negative impact on workforce training within their organization. In contrast, two-thirds of businesses stated that time and budgetary constraints negatively influence their capacity to support workforce learning and development.

It would be fair to infer on the basis of these results that most of the organizations examined consider themselves to be “learning organizations” in which learning, adaptation and change are viewed by leaders as key components of organizational effectiveness. However, the time involved in accessing training programs is currently a deterrent to the greater uptake of those programs, pointing to a need for programs that respond in real time to changing market conditions and provide a quick turnaround in training investments.

Given the current economic climate, budgetary constraints were also cited by businesses as a barrier to greater involvement in workforce learning and development. Cyclical effects aside, cost is a well-documented barrier to private sector investment in training, which increases in significance as the size of the firm decreases.

Successful government intervention will reduce the financial constraints associated with private sector investment in workforce training without adding additional costs of bureaucracy or red tape to the system.

The direct and indirect costs of administering and coordinating training programs and lost output related to the disruption of work hours are formidable barriers, particularly for small firms which generally have thinner profit margins than their larger counterparts. Due to weaker economies of scale, small employers typically pay three times more per worker for training than large firms. This is a prime example of market failure, which refers to dimensions of the market's operation that can cause

it to produce sub-optimal outcomes. It is commonly held that state intervention is justified to correct market failure, as long as a net benefit can be demonstrated. Successful government intervention will reduce the financial constraints associated with private sector investment in workforce training without adding additional costs of bureaucracy or red tape to the system.

The survey results suggest that Ontario employers view continuous learning as an important priority for investment and are willing to expend scarce resources on human capital development.

THE ROLE OF GOVERNMENT IN A COMPETITIVE EDUCATION AND TRAINING SYSTEM

Government policy has an important role to play in creating the incentives for businesses and individuals to invest in continuous learning. With demand for workforce training programs on the rise, the capacity of post-secondary and community service providers to deliver the cutting

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edge technical, business and leadership skills required by the new economy is vastly underutilized. As such, system innovation is required to ensure that the most sought after skills reach the employers and employees who need them.

ONTARIO'S TRACK RECORD

The Ontario government has placed an increased priority on higher education in recent years. Post-secondary education spending has grown steadily since 1997. The government has committed to raising the provincial post-secondary attainment rate to 70 percent through an additional \$310 million in operating funding for colleges and universities in 2010 and an additional \$309 million in 2011. These investments signal a strong show of support at a time when the public sector is faced with huge fiscal constraints. However, Ontario still lags considerably behind the US on education spending, with the most recent figures putting the gap at \$800 per capita⁵.

Although funding levels have improved significantly over the past decade, the government has been slower to initiate policies which impact the overall composition of the education system. The Ministry of Training, Colleges and Universities (MTCU) indirectly refers to the concepts of lifelong learning and co-operative

⁵ Task Force on Competitiveness, Productivity and Economic Progress, *Today's Innovation, Tomorrow's Prosperity*, 2010. (Toronto: Institute for Competitiveness and Prosperity) p. 34. http://www.competeprosper.ca/index.php/work/annual_reports/annual_report_todays_innovation_tomorrows_prosperity/

education its 2009 Result-based Plan. Specifically, the Ministry expresses a commitment to a “responsive, flexible” education system and acknowledges the need to “strengthen the links between training and employment.”⁶ Similarly, in its Innovation Agenda, the Ministry of Research and Innovation (MRI) calls for “more cross-fertilization between business education and other fields of study to give graduates the full range of skills needed for innovation.”⁷

Although MRI has taken steps to strengthen the capacity of universities and colleges in downstream activities such as technology transfer and product development, there has been much less emphasis on innovation in the delivery of education programs.

While these ministries have made the conceptual link between education and innovation, this has not yet translated into sustained action to support the goals of “flexibility” and “cross-fertilization” in practice. As the Coalition for Action on Innovation in Canada has indicated, “our education system compares unfavourably with that of many European countries in its heavy emphasis on school-acquired knowledge at the expense of workplace skills development.”⁸ Although MRI has taken steps to strengthen the capacity of universities and

colleges in downstream activities such as technology transfer and product development, there has been much less emphasis on innovation in the delivery of education programs. As a result, less than 30 percent of adult workers in Canada participate in job-related education and training, compared to almost 35 percent in the UK, and nearly 45 percent in the US⁹.

Responsibility for workforce training officially rests with MTCU. The Ministry’s Employment and Training Division – otherwise known as Employment Ontario – operates several employment and training programs that fall within the broad categories of apprenticeship, skills development, and retraining. Funding for training and labour market initiatives is delivered through individually administered program channels in the form of discrete funding envelopes. Depending on the program, funding may target either the individual or the workplace. In the 2009/10 fiscal year, the Ministry spent over \$1.5 billion on employment and training programs, including \$538 million in federal transfer money under the Ontario-Canada Labour Market Agreement. Ministry programs are delivered in partnership with a province-wide network of regional field offices and over 850 service providers, including municipalities, colleges, the YMCA, CNIB, and First Nations Groups.

Increased scrutiny has recently been focused on Employment Ontario by the provincial Auditor General and the Standing Committee on Public Accounts. In his 2008 report, the Auditor General criticized the agency’s administration of employment and training programs in a number of areas. Particularly worrisome from the standpoint of a more market-ready workforce is the lack of an outcomes-based funding model that matches funding to key economic variables such as demand, skills attainment, earnings, innovation, productivity, and economic development. The Auditor General also found that, on balance, the Ministry does not provide support in cases where clients wish to pursue long-term or high-level training, or when an individual wants to pursue training at a school that is not registered with the Ministry.

Similar criticisms have been made with respect to the Ministry’s newest training program, Second Career. Second Career was designed with the needs of workers most impacted by the economic downturn in mind, and it has proven extremely successful among its target audience. However, its impact is limited by its focus on skill level B and skill level C credentials to the exclusion of higher level, higher paying, skill level A positions which can often be obtained with comparable investments of time and cost and which open the door to a greater number of advanced career pathways¹⁰.

Taken together, these conditions translate into a lack of systematic support in the design and administration of government funding for the in-demand skills and credentials that are the foundation of the innovation economy. As the Social Research and Demonstration Corporation noted in its 2009 report to MTCU:

6 Ministry of Training, Colleges and Universities, Published Result-based Plan 2009-10, p. 3. http://www.tcu.gov.on.ca/eng/about/annualreport/0910/200910RbP_En.pdf

7 Ibid.

8 Coalition for Action on Innovation in Canada, An Action Plan for Prosperity, 2010. http://www.actiononinnovation.ca/en/media/ENG_Plan.pdf

9 Ron Saunders, Employer Investment in Workplace Learning: Report on the Toronto Roundtable, 2008. (Ottawa: Work Learning Knowledge Centre and Canadian Policy Research Networks), p. 1. <http://www.ccl-cca.ca/pdfs/WLKC/20080403TorontoRoundtableReportEN.pdf>

10 A complete description and breakdown of National Occupational Classification Skill Level Criteria can be found at <http://www.tcu.gov.on.ca/eng/ojf/skilllevel.html>.

“Employment development work [in Ontario] continues to be focused on the supply side, with a relatively low level of employer involvement in the total process...Ontario’s workforce development programs are essentially an extension of public welfare and social services systems. These programs focus on meeting the needs of their clients and are not used to talking the ‘language of business’... [In most cases] engagement with employers is uneven at best and could be characterized as a work in progress.”¹¹

To the extent that existing public sector support for workforce training does not adequately correspond to the needs of the economy, it is symptomatic of a larger challenge within the provincial government. As the OCC noted in its 2010 report *Red Tape Holding You Back? Smarter Regulation for a more Competitive Economy*, there is currently insufficient consideration of the business context in the policy development process to ensure that government programs and services are aligned with current private-sector priorities.

ADDRESSING ONTARIO’S WORKFORCE TRAINING DEFICITS

Improving access to government-to-business services is a key goal of the government’s enterprise wide Open for Business initiative, which was recently extended beyond its first three year mandate. The government’s efforts to achieve a more cooperative relationship with business are founded on the recognition that being able to meet the needs of the economy efficiently requires greater employer input in the design of government programs.

In line with Open for Business, MTCU recently embarked on a transformation of the Employment Services division of Employment Ontario in order to streamline and simplify the growing range of labour market programs. Whereas employment services were previously compartmentalized into several different pockets, all program information is now available in one integrated delivery agency. The Ministry has not indicated whether it will adopt a similar model for workforce training.

Our research suggests that a “one-stop-shop” for employer training needs would have a positive impact on private sector participation in training programs. While only one-fifth of respondents identified “lack of information” as a significant obstacle to workforce training, 40 percent of businesses nonetheless suggested that a consolidated information system with a single point of access to training services would influence them to provide more training. Support for this change is likely related to the administrative burden associated with navigating and discerning between multiple training programs.

TRAINING COSTS

Reducing unnecessary government bureaucracy is a positive step towards making training programs more accessible to employers. However, it is only one part of the much larger challenge of creating a workforce training system with the capacity to respond to the rapidly changing needs of the marketplace in the context of scarce resources. The employers we surveyed indicated that cost is the single biggest impediment to investing more in formal workforce training. The corollary to this finding is that 65 percent of employers view financial incentives as the most important factor in increasing support for training. Although there is a range of funding

programs currently offered through Employment Ontario, their stringent and often arbitrary criteria significantly limit their relevance to the private sector. In order to further the goals of the Open for Business agenda, therefore, the government must shift from its current supply-side model to a client-centric approach to funding based on clear, objective, and equitable administrative processes and procedures.

The government must shift from its current supply-side model to a client-centric approach to funding based on clear, objective, and equitable administrative processes and procedures.

¹¹ Myers, Karen; David Gyarmati; and Jean-Pierre Voyer, *Skills Upgrading for Ontario Working Age Adults: An Environmental Scan of Programs, Gaps, and Opportunities*, 2009. (Toronto: Social Research and Demonstration Corporation), pp. 78-79. http://www.srdc.org/uploads/Career_pathways_report.pdf

There are two essential prerequisites to an effective client-centred workforce training model. For one, resources must be coupled with standardized eligibility criteria which enable flexibility and fairness in the design and implementation of workforce training initiatives. At the level of Employment Ontario, achieving this prerequisite would entail a consolidation of all existing funding streams into one central fund for training services. This fund would reimburse training costs on an individual or a corporate basis, depending on the needs of the community, and would be available to all applicants regardless of the skills or credentials sought, making funding equally applicable to high skill/high wage jobs. Public sector investments would follow demand, and economic productivity would be the key measure of performance. The specific features of a revised funding model will be spelled out in detail in the following section.

Equally important is an institutional structure in which the administration of funds and design of training initiatives is delegated to organizations with the most direct, hands-on knowledge of regional economic conditions. The second and related change would entail a full-scale transfer of responsibility for program management and delivery from the provincial government to regional, multi-stakeholder training “hubs” that bring together groups with firsthand knowledge of regional innovation priorities. These hubs would have a dual function, acting as the provincial government’s agent for the intake, selection, and monitoring of training projects; and brokering relationships between employers, training providers and business resources and services.

Industry consortia would play a lead role through identifying the needs of regional clusters (such as the size and distribution of critical shortages in advanced sectors) and linking businesses to government funding, quality training providers, and mentoring opportunities.

Training hubs would be heterogeneous, fluid organizations comprised of strategically situated local players. Industry consortia would play a lead role through identifying the needs of regional clusters (such as the size and distribution of critical shortages in advanced sectors) and linking businesses to government funding, quality training providers, and mentoring opportunities. In Ontario, regional economic development corporations and/or local chambers of commerce could work with employers, education institutions, and community

organizations to develop projects to pilot and implement. There are also existing networks in the education sector that have the local knowledge and expertise to contribute to regional training initiatives, such as the Colleges Ontario Network for Industry Innovation, and the Ontario Council of University Lifelong Learning. Many communities are also home to Regional Innovation Centres, providing the opportunity for cross-fertilization between provincial workforce training and innovation priorities.

Many of Ontario’s peer jurisdictions have achieved successful models at the regional level that could be replicated in whole or part in Ontario. For example, in San Diego, the San Diego Workforce Partnership (an industry advisory group) partnered with the San Diego and Imperial Counties Community Colleges Association to establish the Workforce Alliance Project – designed to foster a stronger dialogue between industry and education in order to address the ongoing challenge of educating and training the local labour force to fill the high-demand occupations characteristic of the regional economy. The Project brings educators from the region’s community colleges and four-year universities together with key representatives from local businesses to develop and oversee meaningful training initiatives in Biotechnology, Healthcare and Medical Services; Hospitality and Visitor Services; and Telecommunications. This initiative has resulted in the creation of a comprehensive regional workforce training system that is at the centre of regional economic development efforts.

The type of organizational structure envisioned is captured by Thomas S. Phillips¹² concept of “overarching institutions”. Overarching institutions can come in many different forms; they can be large, including everyone, or they can be small, customized units serving a particular need, market sector etc. In the second instance, overarching institutions allow for the creation of ‘community economies of scope’, which involve taking the existing organizations, technologies, and expertise in a community and combining them in a new way, through a new social institution, that can lead to pursuing new market opportunities (ideally nationally and

12 Thomas F. Phillips, Ph.D., is the current Economist and Sustainability Director for the Greater Peterborough Innovation Cluster at Trent University. <http://www.trentu.ca/businessadmin/phillips.php>

internationally). The key to building effective overarching institutions is finding innovative new variations on existing political and social structures, which in turn allow society to overcome the built in rigidity that prevents it from fully embracing innovation in the marketplace.

Greater local autonomy over the design and administration of training programs would be accompanied by a concentration of state intervention on accountability and oversight, ensuring that funding flows to those initiatives which have the greatest impact on economic productivity.

Adopting a workforce training system with these features would convey several advantages over the current system. The proposed model would increase the overall amount of funding available through minimizing the Ministry's involvement in program administration, freeing up substantial overhead savings at no additional cost to taxpayers. By decoupling government funding from predetermined program criteria, the proposed changes would facilitate a more flexible, demand-driven training system, enhancing private sector access to funds, and ensuring that clients have the ability to develop training strategies that target the most critical needs.

Equally important, the proposed changes would enable each unit of government funding to be stretched further through enabling recipients to leverage additional resources from third parties with a shared interest in regional economic development (foundations, economic development corporations, lead firms etc). The benefits of resource-pooling cannot be overstated. While there is general agreement that financial incentives are required to encourage greater private sector investment, evidence suggests that conventional mechanisms such as tax incentives are not the prime mechanism for achieving improved training outcomes. According to a study by the UK Commission for Employment and Skills, the success of this option depends on relatively high reimbursement levels, increasing the risk of substantial deadweight costs¹³.

Resource-pooling has been shown to increase cost-effectiveness through facilitating pooling of risk, economies of scale, and information sharing

Resource-pooling, on the other hand, has been shown to increase cost-effectiveness through facilitating pooling of risk, economies of scale, and information sharing - which generates greater efficiency by providing the ability to replicate successful models, rather than design new models from scratch. Partnerships can further enhance efficiency through the elimination of wasteful duplication and overlap. These findings

led the former Canadian Council on Learning to recommend that provincial governments promote workplace training through convening partnerships between key stakeholders such as educational institutions, non-profit organizations, sector councils, regional clusters, business, and labour¹⁴.

Through encouraging the development of innovative training initiatives with a broader focus on sector and/or cluster development, a client-centred funding model and corresponding institutional structure would enable the government to overcome many of the financial constraints typically associated with support for skills training by employers, enabling the most efficient use of limited resources and greater uptake of training programs.

TIME CONSTRAINTS

The second largest impediment to greater private sector participation in workforce training is a lack of time. Many employers are unable to accommodate the needs of their workforce due to time constraints, particularly if they are SMEs. Research suggests that organizations that excel at continuous learning are those which use information and communications technologies to further employee learning and development.¹⁵ ICT

13 Ian Stone, "Encouraging Small Firms to Invest in Training: Learning from Overseas," Praxis 5 (June 2005). http://www.ukces.org.uk/upload/pdf/PRAXIS%20Edition%205%20WEB%20PDF_1.pdf

14 Ron Saunders, *Fostering Employer Investment in Workplace Learning: Report on a Series of Regional Roundtables*, 2009. (Ottawa: Canadian Council on Learning). http://cprn.org/documents/51176_EN.pdf

15 Oliver Serrat, "Building a Learning Organization," Asian Development Bank Knowledge Solutions 46 (May 2009). <http://www.adb.org/Documents/Information/Knowledge-Solutions/Building-a-Learning-Organization.pdf>

allows for the development of training systems featuring innovative technologies – such as podcasts, online learning, virtual reality, and simulated work-based training – that help accelerate the learning and degree earning process.

In line with this reasoning, 36 percent of the companies who responded to our survey stated that greater access to online training would encourage them to offer more training opportunities to their employees. It was encouraging to learn that, of the 84 percent of employers who indicated they have facilities available in the workplace for employee training and upgrading, 86 percent provide access to computers and/or a wireless connection. However, as has already been noted, Canadian firms currently significantly underinvest in ICT in relation to their peers.

A fund specifically designated for the adoption of innovative training technologies would allow the government to overcome a key impediment to workforce training while strengthening a key determinant of private sector innovation.

In light of these findings, it stands to reason that the government could further stimulate employer involvement in workforce training through including a stand alone “growth and innovation” fund in the proposed funding model to generate greater investment in ICT capital. This measure would assist companies - particularly SMEs - dedicated to enhancing skills and boosting business performance through innovative ICT solutions with valuable financial support. A fund specifically designated for the adoption of innovative training technologies

would allow the government to overcome a key impediment to workforce training while strengthening a key determinant of private sector innovation.

REGULATORY AMENDMENTS

Achieving the proposed changes to the training system would require amendments to the existing statutory/regulatory framework.

In order to maximize the contribution of the system to human capital development and innovation, the government must replace the existing assortment of individual funding envelopes with a consolidated pool of funds for workforce training. Funding should be distributed between the regions on the basis of population, weighted for unemployment and poverty. In order to ensure the greatest possible alignment between training programs and skills shortages in emerging sectors, regional alignment should approximate as closely as possible the Ontario Network of Excellence, which provides support for private sector innovation through a provincial network of Regional Innovation Centers.

In the design of program criteria, restrictions on which designations and programs qualify should be minimized, allowing recipients to access the best training at the least cost. Funding should cover the costs of both individual and corporate training, depending on the needs of applicants. With respect to individual applicants, a revised funding framework would entail a process whereby the employee or employer could apply for government reimbursement to cover the cost of part time courses. With respect to corporate training, it would allow employers to opt for training for a larger group of employees through providing funding to hire a recognized service provider to provide onsite or offsite training, at the discretion of the employer.

In order to ensure that the new funding model is aligned with private sector demand, recipients should be required to demonstrate that they have consulted extensively with employers in the development of curriculum and delivery mechanisms. The government may also wish to consider creating a requirement that local stakeholders coordinate workforce investment activities with regional economic development strategies.

In order to encourage greater pooling of resources and risk, legislation should specify that local bodies may use training funds to devise and oversee projects in collaboration with other organizations and activities at the regional, provincial or national level. Eligible projects should be required to establish memoranda of understanding to determine how system stakeholders will partner, contribute resources, and deliver

services, with resource-sharing requirements determined on a project-by-project basis, reflecting the benefit that each party stands to receive.

In developing and tracking performance measures, the government must take care not to create overly aggressive reporting requirements that would make it difficult for training partners to participate in the system or package training in a way that meets regional economic development needs.

LOOKING AHEAD

In order to position Ontario for sustained economic growth, innovation in service delivery must be accompanied by a rebalancing of overall spending priorities in order to reflect the importance of workforce training to the province. Sufficient and stable funding for workforce training has repeatedly been identified as a long-term challenge to enhancing the performance of Canada's economy, and Ontario is no exception.

In order to position Ontario for sustained economic growth, innovation in service delivery must be accompanied by a rebalancing of overall spending priorities in order to reflect the importance of workforce training to the province.

In the 2011 Budget, the government announced \$44 million over three years to expand literacy and basic skills training by Employment Ontario. This represents a reduced emphasis on workforce skills training compared to the \$90 million over two years invested in 2009. As an annual investment, this represents a fraction of what the government currently invests in college and university post-secondary education. In order to achieve a strategic vision for workforce learning and development which

recognizes the economic impetus for an expanded role by government, the government must increase overall program expenditure to address the pressing need for a comprehensive approach.

Determining the right amount of government support for continuous learning is not straightforward in that much of the benefit of training flows to individuals and for-profit companies rather than society at large. However, the ratio for formal post-secondary education is one yardstick against which to measure how much is required to close the gap. At present, Ontario government grants comprise about half the revenue that universities have to operate. Ultimately, the government must undertake a careful accounting of the costs and benefits of workforce education in relation to its social and economic objectives in order to arrive at an investment level that is acceptable to all stakeholders in Ontario's economy.

Evidence from abroad suggests that Ontario stands to benefit enormously from adopting a consolidated, demand-driven system for workforce training. In 1998, the US government enacted the federal Workforce Investment Act (WIA) to bring about a shift from a supply-side labour force policy that concentrated primarily on job-seekers to one that has employers as a primary customer. The WIA took what was previously an assortment of numerous targeted programs and consolidated them into three grants which flow to states and local workforce areas. Over a decade later, not only does the US lead the advanced economies in productivity, but the workforce system as a whole is meeting and exceeding performance targets. As of 2006, more than 80 percent of intermediaries reported engaging in sectoral strategies to meet the needs of employers, and significant improvements were calculated in the recognition and utilization of the workforce system by employers.¹⁶ The Ontario government may wish to look to specific components of the US system in devising a comprehensive strategy for the province.

¹⁶ Mary Gardner Glagett, *Workforce Development in the United States: An Overview*, 2006 (Washington: National Centre on Education and the Economy). http://www.skillscommission.org/wp-content/uploads/2010/05/ACII_WIA_Summary.pdf

RECOMMENDATIONS

Recent program innovations at Employment Ontario provide a starting point for adopting a modernized workforce training system that meets Ontario's economic needs. However, in order to fully integrate lifelong learning and job-based training into the existing post-secondary education system, the government must go much further.

The Task Force on Learning and Development recommends that the Government of Ontario:

1.

Modernize existing workforce training programs by consolidating individually ear-marked funds under Employment Ontario into one central fund which is available to both individuals and workplaces; applicable to all programs delivered by recognized training providers; and predicated on private sector consultation in the design of training projects.

2.

Encourage the most efficient use of scarce resources through transferring responsibility for program administration and delivery to regional, multi-stakeholder training "hubs" that have the dual function of:

- reviewing, approving, and monitoring funding applications; and
- brokering relationships between employers, recognized training providers, and regional economic development partners to support regional economic growth in emerging sectors.

3.

Develop a stand alone "Growth and Innovation Fund" to encourage SMEs to adopt new technologies that facilitate an acceleration in the learning and qualification earning process.

4.

Develop a long-term funding strategy for workplace training which takes into account the projected future demand for job-based training and the value of workforce training to society, ensuring that Ontario's economy and its labour force are equipped with the skills and competencies of the future.

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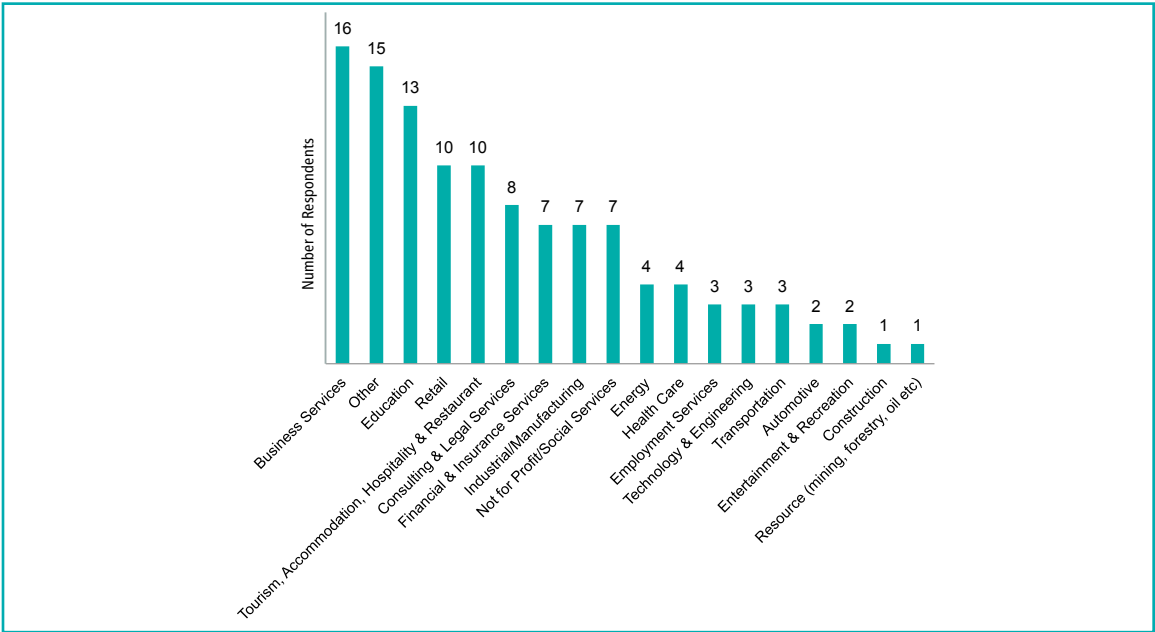
CHAMBER OF COMMERCE AND BOARDS OF TRADE SURVEY PARTICIPATION

The OCC would also like to thank and acknowledge members of the following Chambers of Commerce and Boards of Trade, who participated in the Workforce Learning and Development Survey:

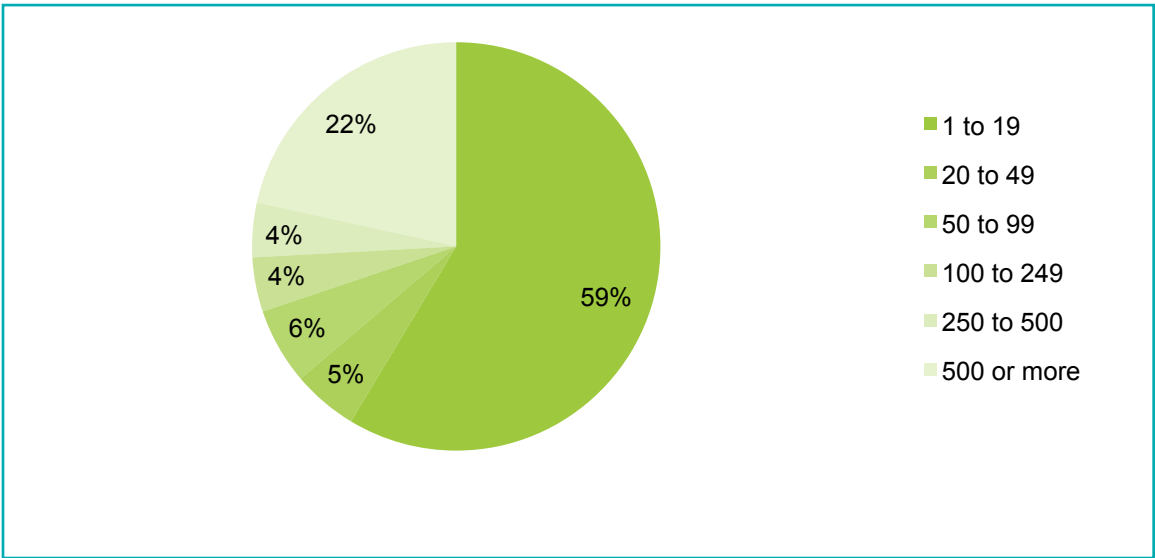
Alliston and District Chamber of Commerce
Arthur and District Chamber of Commerce
Greater Barrie Chamber of Commerce
Beaverton District Chamber of Commerce
Blind River Chamber of Commerce
Brantford-Brant Chamber of Commerce
Burlington Chamber of Commerce
Centre Wellington Chamber of Commerce
Greater Dufferin Area Chamber of Commerce
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North Grenville Chamber of Commerce
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Thunder Bay Chamber of Commerce
Tilbury and District Chamber of Commerce
Tobermory and District Chamber of Commerce
Toronto Board of Trade
Trent Hills and District Chamber of Commerce
Westport and Rideau Lakes Chamber of Commerce
Windsor-Essex Regional Chamber of Commerce

APPENDIX: SURVEY RESULTS

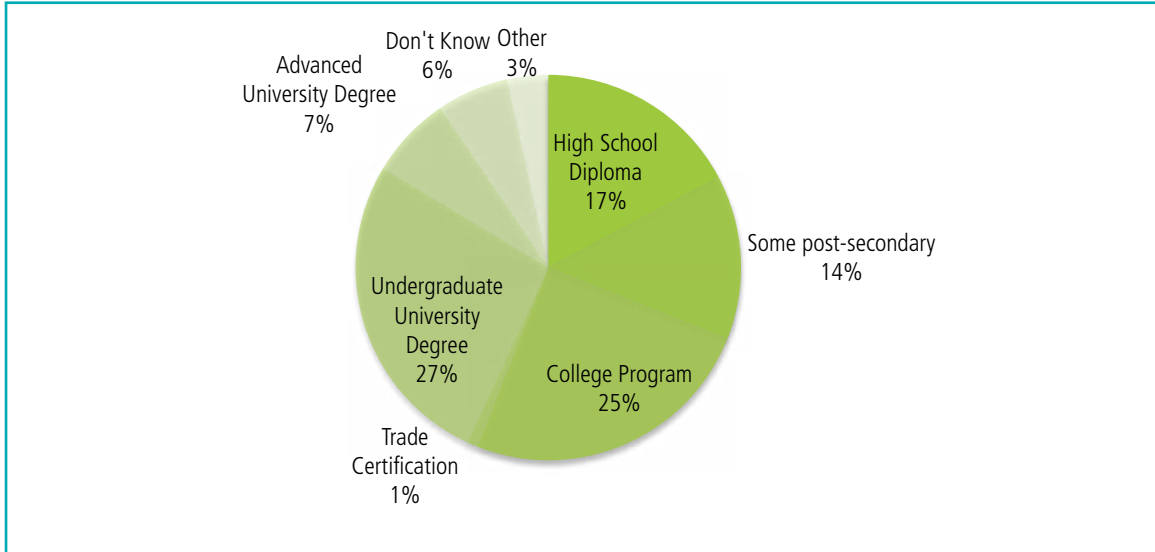
Q1. WHAT IS YOUR ORGANIZATION'S PRIMARY BUSINESS ACTIVITY?



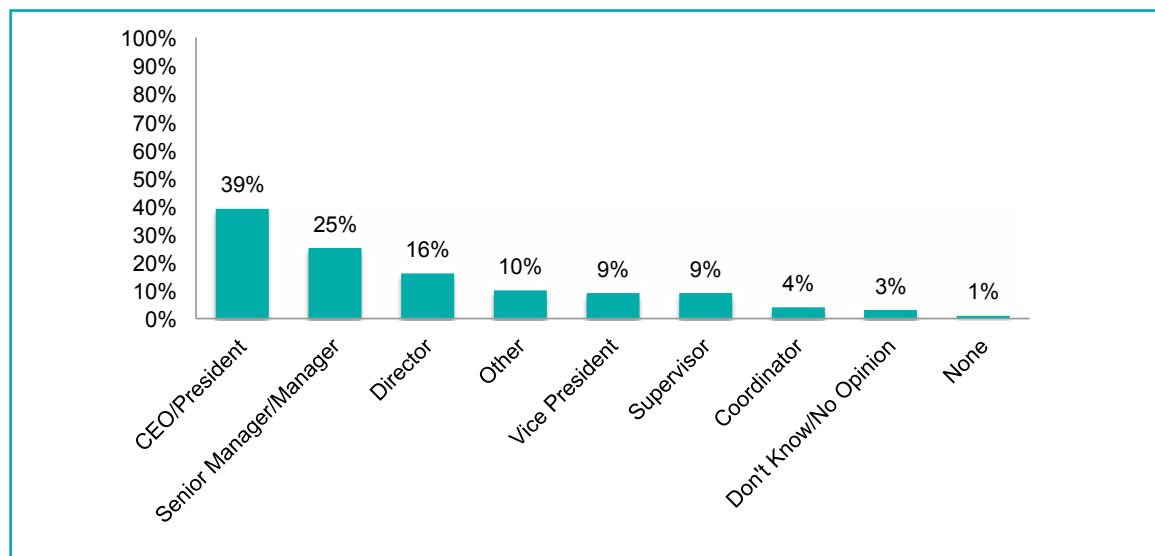
Q2. HOW LARGE IS YOUR BUSINESS?



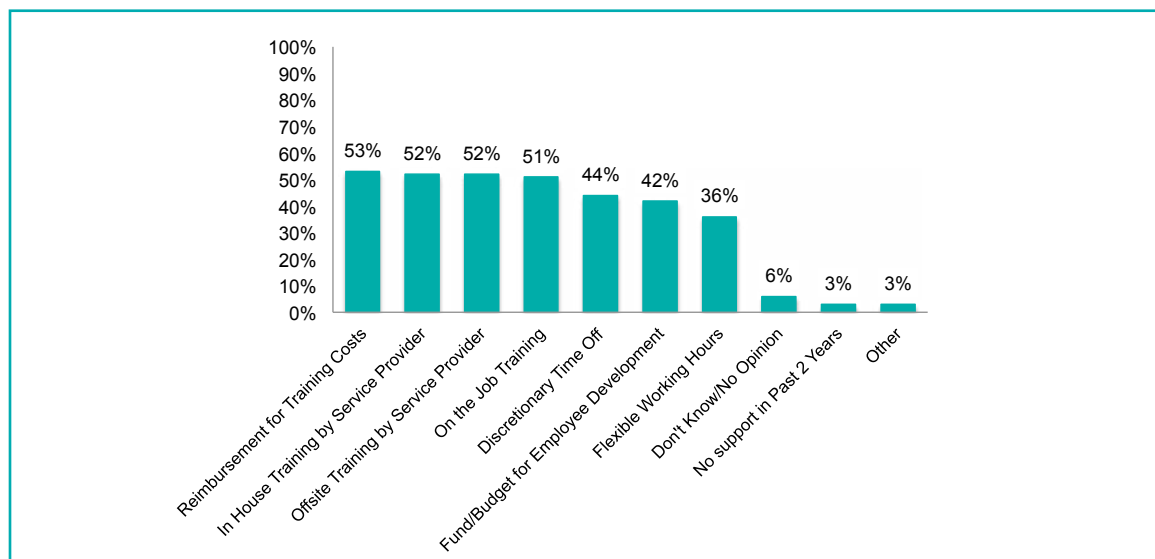
Q3. WHAT LEVEL OF EDUCATION DO THE MAJORITY OF YOUR EMPLOYEES CURRENTLY HAVE?



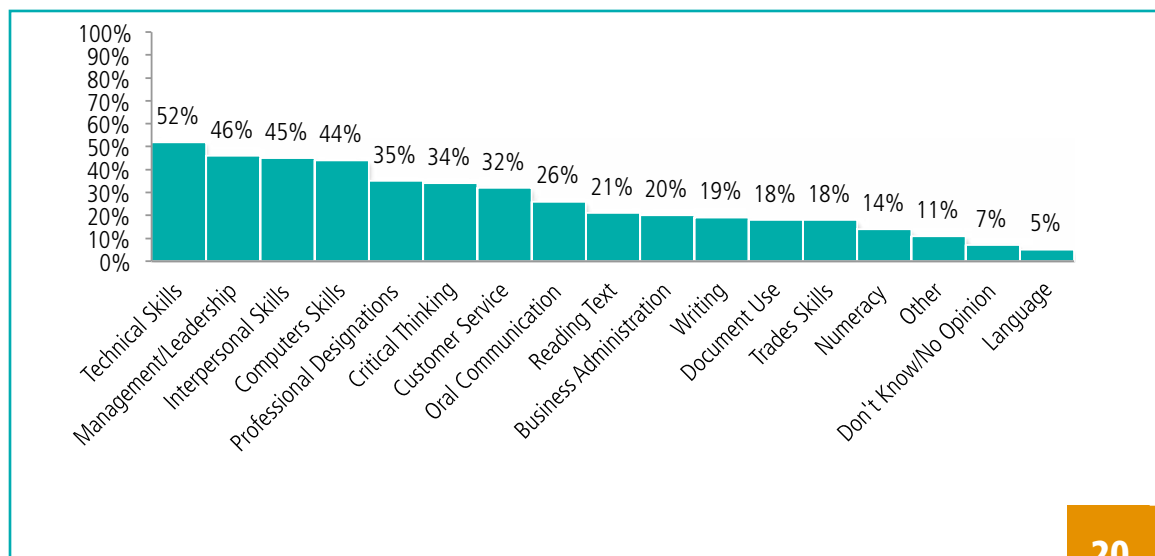
Q4. WHAT LEVEL OF MANAGEMENT IS RESPONSIBLE FOR THE WORKFORCE LEARNING AND DEVELOPMENT FUNCTION IN YOUR ORGANIZATION?



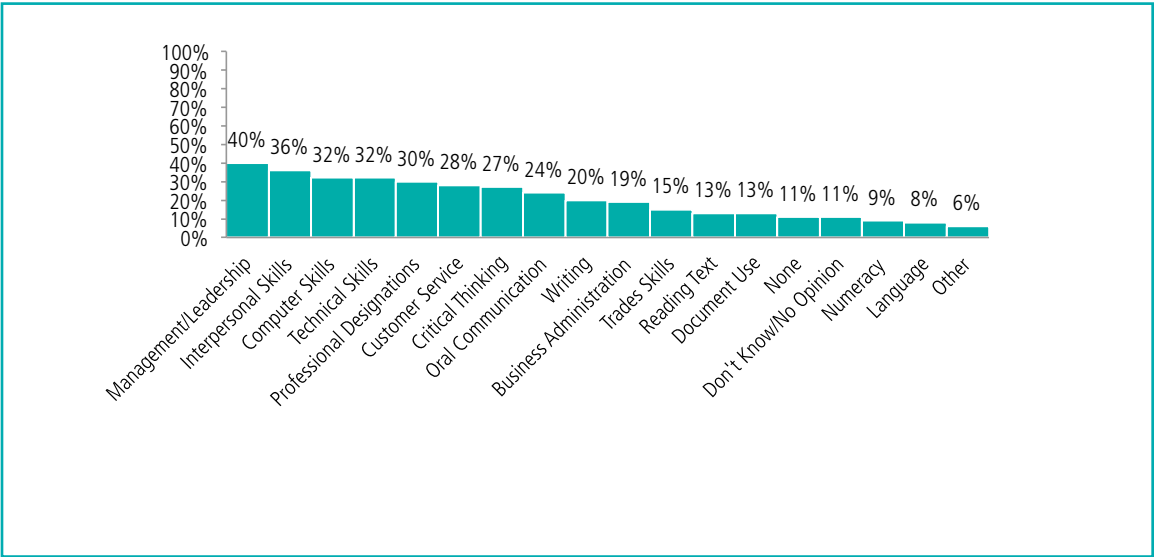
Q5. DO YOU CURRENTLY, OR HAVE YOU IN THE PAST TWO YEARS, SUPPORTED EMPLOYEE LEARNING AND DEVELOPMENT THROUGH ANY OF THE FOLLOWING INITIATIVES?



Q6. IF YOU HAVE SUPPORTED EMPLOYEE LEARNING AND DEVELOPMENT IN THE PAST TWO YEARS, WHAT SKILLS HAVE YOU SUPPORTED?

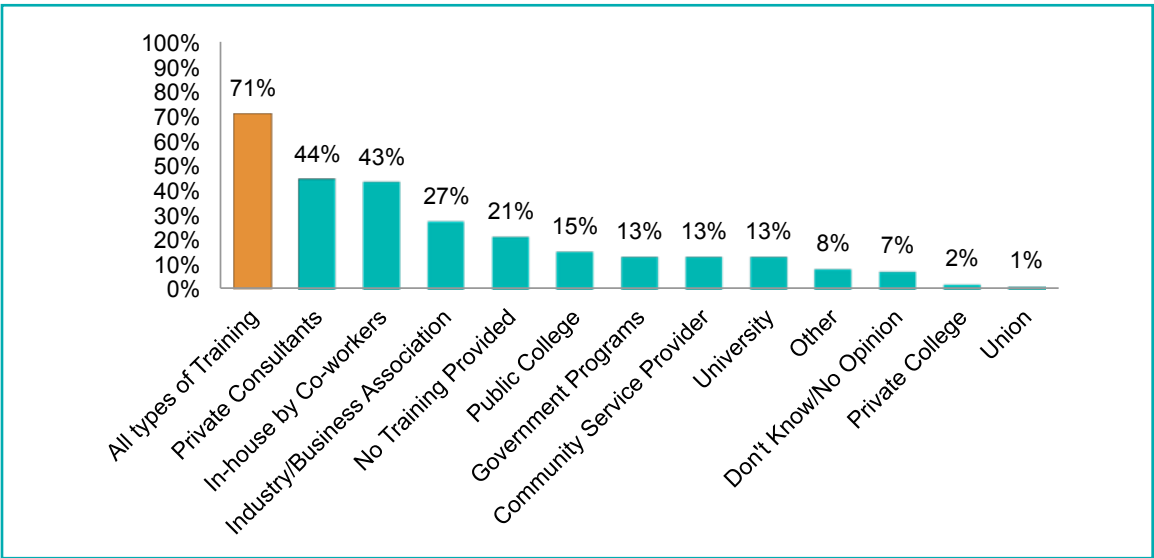


Q7. WHAT SKILLS DO YOUR EMPLOYEES CURRENTLY REQUIRE TRAINING AND DEVELOPMENT IN?

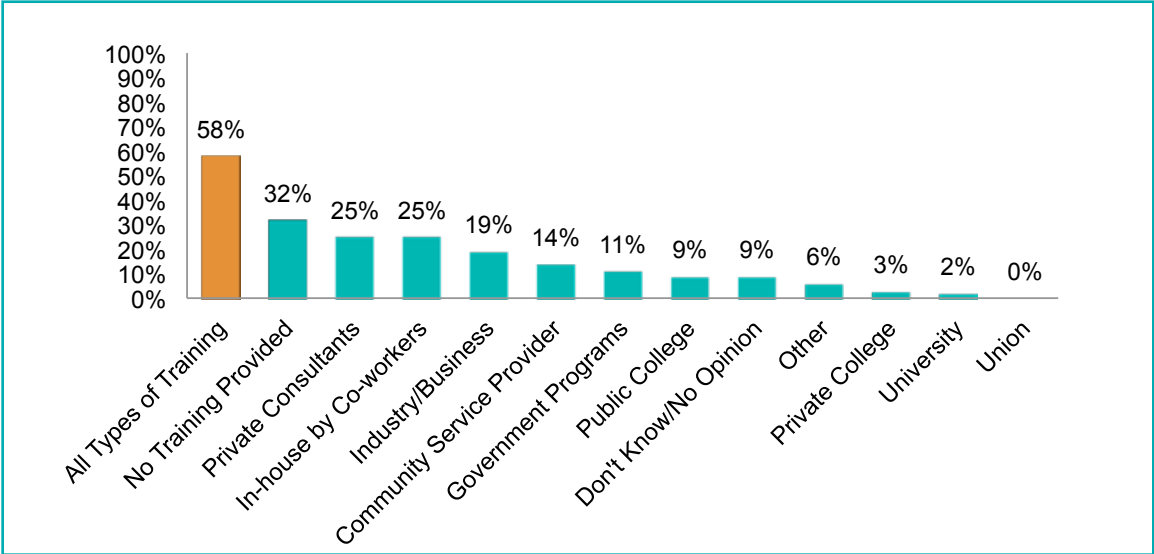


Q8. DO YOU CURRENTLY, OR HAVE YOU IN THE PAST 2 YEARS, PAID FOR IN HOUSE TRAINING DELIVERED BY ANY OF THE FOLLOWING TRAINING PROVIDERS?

8.1 In house training by all business sizes

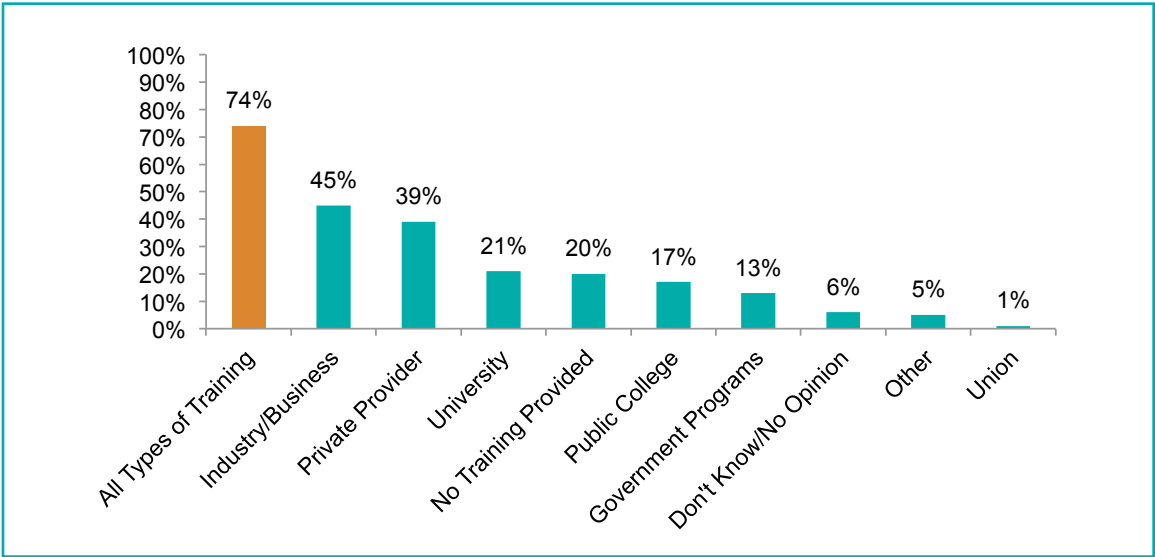


8.2 In-house training by small businesses

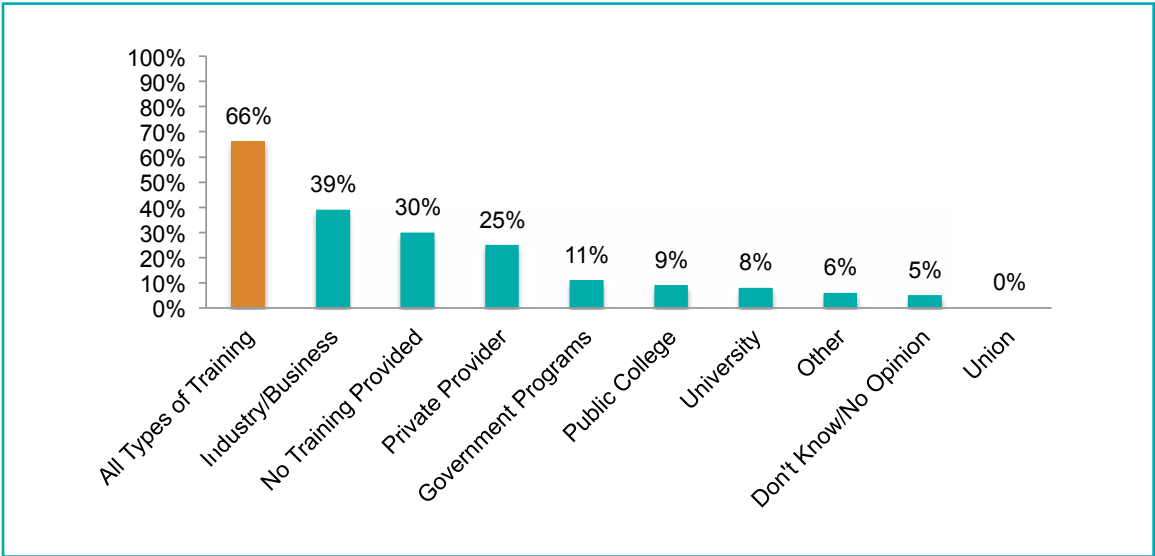


Q9. DO YOU CURRENTLY, OR HAVE YOU IN THE PAST TWO YEARS, PAID FOR OFFSITE TRAINING DELIVERED BY ANY OF THE FOLLOWING EDUCATIONAL INSTITUTIONS?

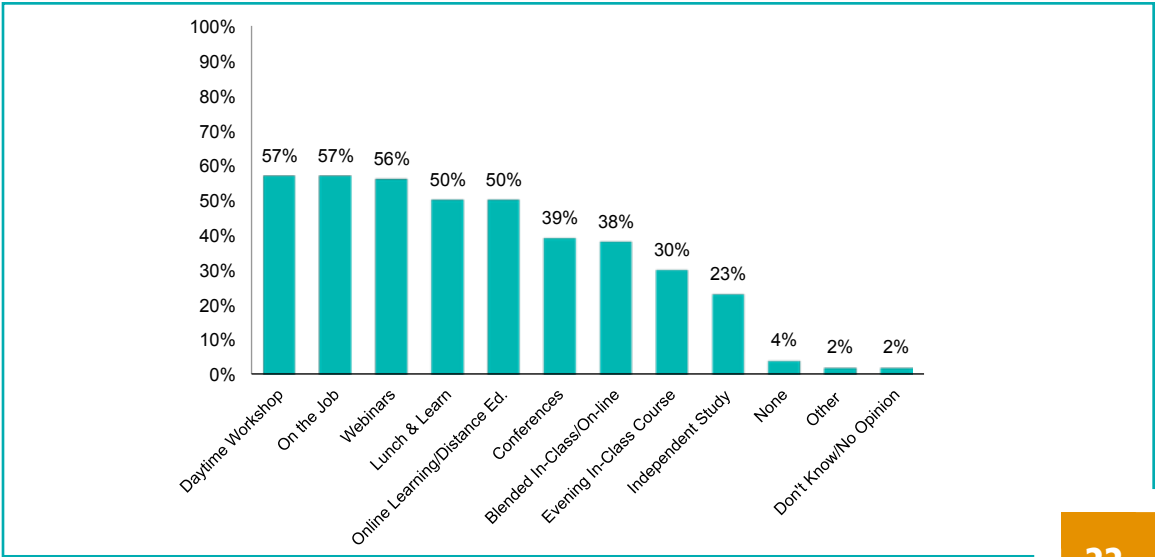
9.1. Offsite training by all business sizes



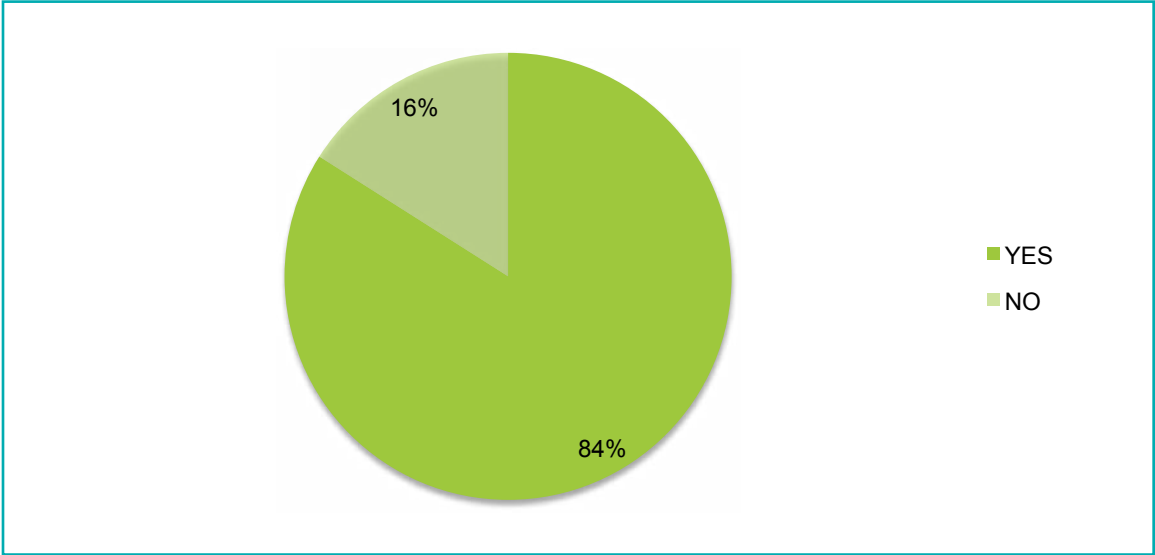
9.2. Offsite training by small businesses



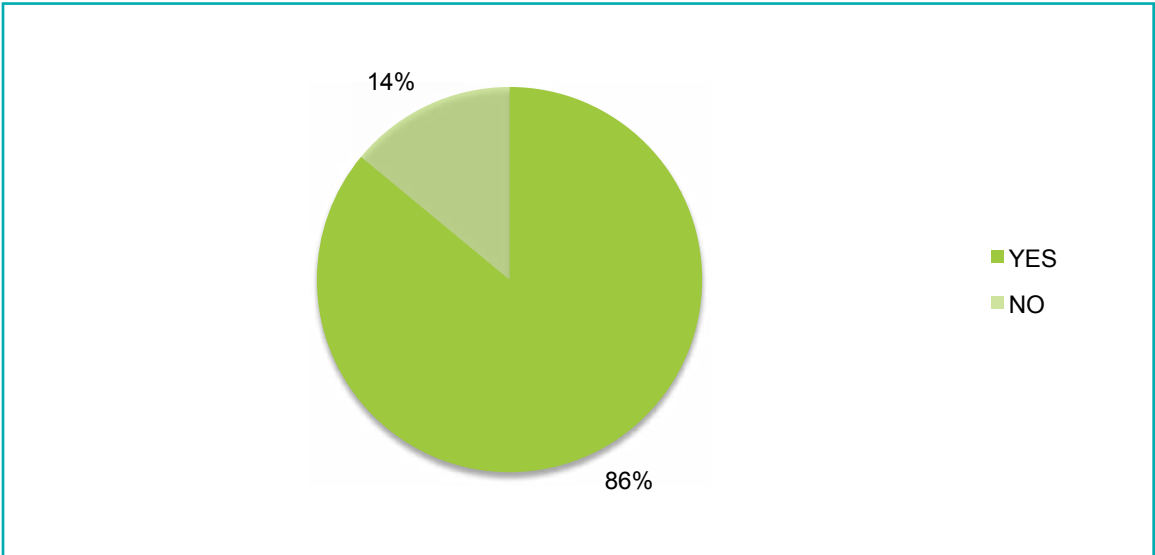
Q10. WHAT TRAINING FORMAT(S) WOULD MOST MEET THE NEEDS OF YOUR WORKPLACE?



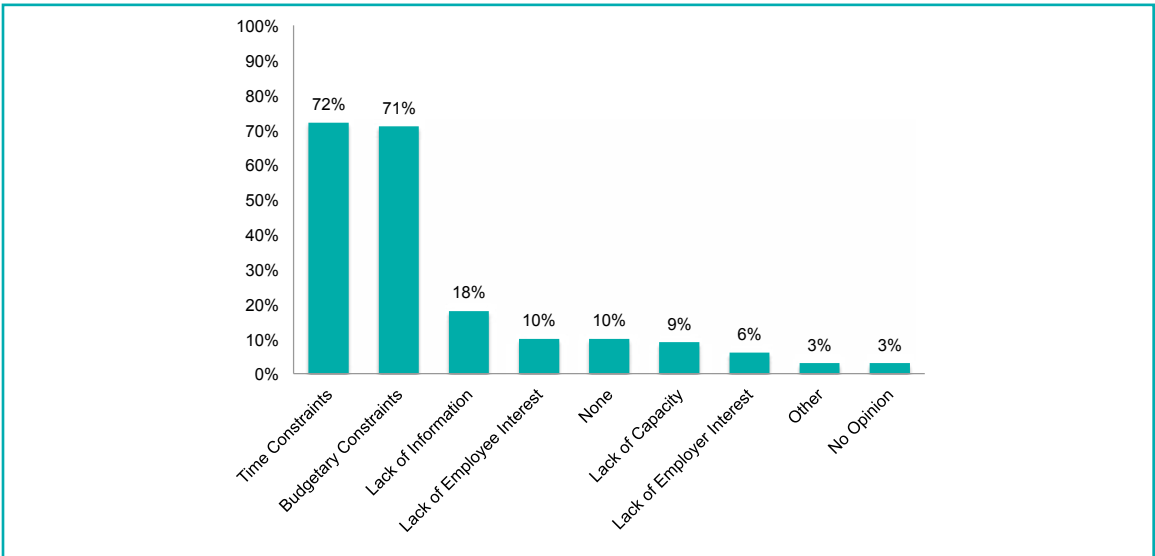
Q11. DO YOU HAVE FACILITIES AVAILABLE IN THE WORKPLACE FOR EMPLOYEE TRAINING AND UPGRADING?



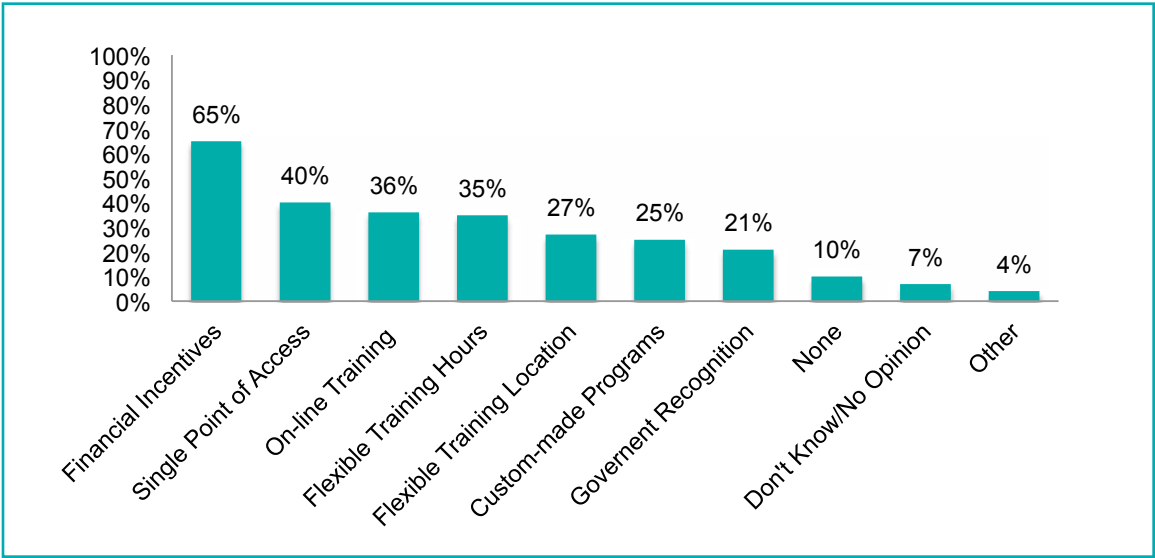
Q12. IF YES, DO THESE FACILITIES PROVIDE ACCESS TO COMPUTERS AND/OR A WIRELESS CONNECTION?



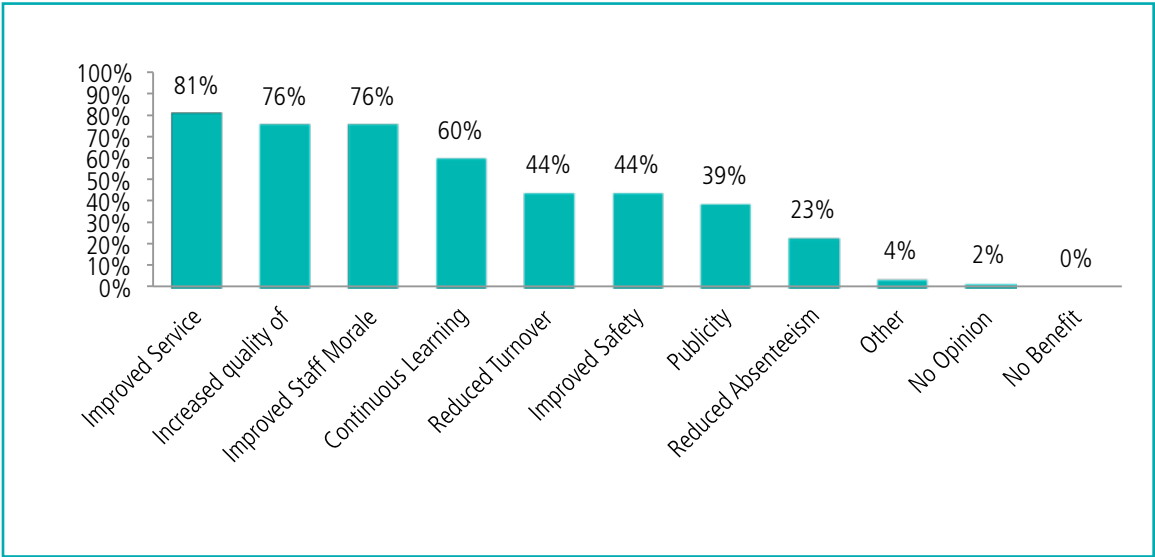
Q13. WHAT BARRIERS HAVE YOU ENCOUNTERED TO PROVIDING WORKFORCE TRAINING?

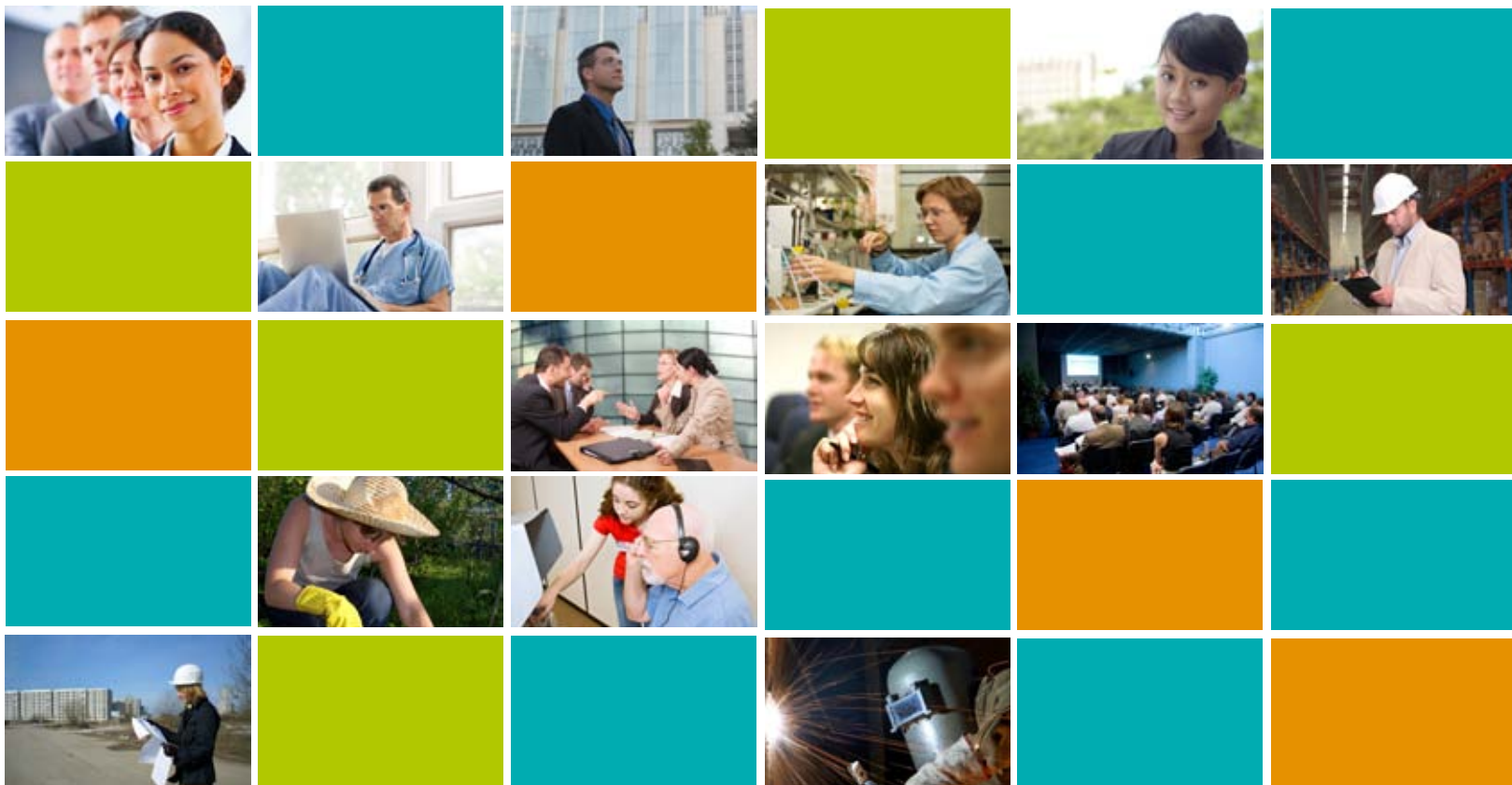


Q14. WOULD ANY OF THE FOLLOWING INITIATIVES INFLUENCE YOU TO OFFER MORE TRAINING TO YOUR EMPLOYEES?



Q15. WHAT ARE THE BENEFITS OF WORKFORCE LEARNING AND DEVELOPMENT TO YOUR ORGANIZATION?





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