

Minister of
Employment and Social Development
and Minister for Multiculturalism



Ministre de
l'Emploi et du Développement social
et ministre du Multiculturalisme

Ottawa, Canada K1A 0J9

AVR 03 2014
APR

Dartmouth Learning Network Society
260 Wyse Road
Dartmouth NS B3A 1N3

Dear Sir/Madam:

I was very disappointed to read recent media reports that there is significant concern among organizations in Nova Scotia that receive funding through the federally funded Labour Market Agreement (LMA). Nova Scotia receives \$13.4 million each year under the LMA, which was created in 2007 by our government, prior to which Nova Scotia received no federal funding for this aspect of skills development programming.

It is categorically false that the federal government is funding the Canada Job Grant by cutting funding for vulnerable groups in Nova Scotia receiving LMA funding.

The federal government has provided provinces and territories with full flexibility on how they fund the Canada Job Grant so that Nova Scotia can maintain funding for their effective LMA programs. Our offer proposes a federal government investment in the Canada Job Grant of only \$2 million in year one, moving to \$8 million in year four (predicated on private-sector investments of \$1 million in year one, and \$4 million in year four). In other words, the total government contribution to the Canada Job Grant in Nova Scotia would amount to 2 percent of federal transfers to Nova Scotia for skills development in year one, moving to 8 percent of these transfers in year four. To be clear, not one dollar of LMA program funding would have to be redirected to the Job Grant, and 98 percent of federal skills development transfers in the first year of the proposed agreement would be unaffected by the Canada Job Grant.

For your information, I have enclosed a copy of my recent letter to Premier Stephen McNeil, further clarifying the misconceptions regarding the LMA and the Canada Job Grant.

Yours sincerely,

Hon. Jason Kenney
Minister of Employment and Social Development and
Minister for Multiculturalism

Enclosure: 1

Canada

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The Honourable Stephen McNeil, M.L.A.
Premier of Nova Scotia
Halifax, Nova Scotia
B3J 2T3

Dear Premier McNeil;

Thank you for taking the time to speak to me on February 28, 2014, regarding the Canada Job Grant and the renewal of the Labour Market Agreement (LMA) with Nova Scotia.

It has become apparent through media reports in Nova Scotia, and my March 7, 2014, conversation with Minister Regan that your government is operating under a number of misapprehensions about the Government of Canada's proposal for LMA renewal, and the creation of the Canada Job Grant. I would like to clarify the facts in the hope that we can move toward conclusion of an Agreement-in-Principle by April 1, 2014, as we have done with all other provinces and territories.

I think it is important to underscore the context of our offer. Since 2006, the Government of Nova Scotia has received growing, record levels of federal transfers. In 2013-14, Nova Scotia received approximately \$3 billion through major transfers alone (Canada Health Transfer, Canada Social Transfer, and Equalization), \$700 million more than in 2005-06, representing an increase of over 30%. As you know, over one-third of Nova Scotia's government revenues are accounted for by these major federal transfers.

In addition, the federal government transfers to Nova Scotia an unprecedented \$101 million annually for skills training and employment programs, broken down as follows:

- \$79 million through the Labour Market Development Agreement (LMDA);
- \$8.3 million through the Labour Market Agreements for Persons with Disabilities (LMA-PD);

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Canada

- \$762,000 for the Targeted Initiative for Older Workers; and
- \$13.4 million under the LMA, which was created in 2007 by our government, prior to which Nova Scotia received no federal funding for this aspect of skills development programming.

In addition to these transfers, the Government of Canada directly delivers over \$28 million annually in skills development programs in the province of Nova Scotia, including:

- \$8.6 million through the Youth Employment Strategy;
- \$11.5 million for Aboriginal skills development;
- \$950,000 for persons with disabilities; and
- \$7 million in settlement funding for immigrants, in part to assist them with preparing for and finding employment.

I am perplexed by media reports indicating that Nova Scotia service providers have been told by your government that their LMA funded programs are being cancelled due to the creation of the Canada Job Grant. I find these reports inexplicable, given that our offer would permit your government to fund the Canada Job Grant from any source of funds. I am further perplexed given that our offer proposes a government investment in the Canada Job Grant of only \$2 million in year one, moving to \$8 million in year four, (predicated on private sector investments of \$1 million in year one, and \$4 million in year four). In other words, the total government contribution to the Canada Job Grant in Nova Scotia would amount to 2% of federal transfers to Nova Scotia for skills development in year one, moving to 8% of these transfers in year four. To be clear, not one dollar of LMA program funding would have to be redirected to the Job Grant, and 98% of your federal skills development transfers in the first year of the proposed agreement would be unaffected by the Canada Job Grant.

Given these facts, I cannot understand why your government has created anxiety amongst LMA funded service providers by notifying them that their funding is jeopardized, when this is manifestly not the case.

The Canada Job Grant responds to consistent input from employers, unions, trainers, and post-secondary educational institutions who have long observed that traditional skills training programs are insufficiently linked to the labour market. It would improve outcomes for publicly funded job training by involving employers in decision-making, ensuring employers invest more in training, and that training leads to real jobs.

That is why the Government of Canada remains prepared to deliver the Canada Job Grant directly in Nova Scotia if an Agreement-In-Principle is not reached by April 1, 2014. However, I remain confident that this will be unnecessary given the very significant flexibilities of the most recent federal proposal, which largely accepts the February 4, 2014, proposal made on behalf of provinces and territories. Allow me to detail these flexibilities.

As mentioned above, we have agreed to provide Nova Scotia with full flexibility regarding sources of funds. This means that Nova Scotia could source the Canada Job Grant from the LMDA, the LMA, or other sources. Funding from the LMDA for the Canada Job Grant can be used toward non-EI eligible clients through the use of the Research and Innovation stream. This means your government could choose to continue to fund all of the existing programs and organizations currently receiving LMA funding.

I would like to address other concerns outlined in your March 6, 2014, letter. It is incorrect that the Canada Job Grant would not apply to in-house training. The design of the Canada Job Grant includes the ability of employers to train on-site, including customized training, as long as it is delivered by an eligible third-party provider.

We have also undertaken direct consultations with employers, post-secondary institutions, employer associations, and unions among others in Nova Scotia who have informed us that many employers in the province have expressed significant interest in making use of the Canada Job Grant. Therefore we do not anticipate that employer participation will be a challenge. If the program is properly promoted and administered, we anticipate that it will be oversubscribed.

Our Government also recognizes that small employers play an important role in the labour market and comprise a large segment the economy, particularly in Nova Scotia. This is why the final Government of Canada offer includes significant flexibility for small employers to make a much lower financial contribution to the Canada Job Grant than their larger counterparts.

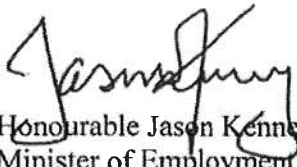
Specifically, the required cash contribution for small employers with 50 employees or less can be reduced by 50 percent, giving them credit for the wages they pay to participants. Alternatively, small businesses will be permitted to contribute only 15% of total training costs, as opposed to the 33% contribution required of larger employers. Practically, this means that for the estimated average training cost of \$6000, a small business could benefit from the Canada Job Grant by making a cash contribution of only \$900 toward training an employee.

With regard to lapsed funding, the final federal offer includes the ability of Nova Scotia to carry forward up to 5% of its LMA allocation. Furthermore, we have agreed to a review of the Canada Job Grant following its second year of implementation, and will make adjustments as necessary to ensure the program meets its objectives. I have also agreed to increase the allocation for administrative expenses to 15% for the first two years of the agreement to recognize the upfront start-up costs of putting in place the Canada Job Grant.

With these clarifications to the concerns you have raised, I hope we can quickly sign an Agreement – In – Pension with Nova Scotia and move on to bilateral negotiations to finalize a Canada-Nova Scotia Job Fund Agreement.

Once this important step is completed we should also be able to turn our attention to other shared labour market priorities. In this regard, I was particularly pleased with the Atlantic Provinces' initiative toward harmonizing the apprenticeship system, to which our government has made a substantial contribution. I look forward to continuing to work with Nova Scotia to tackle additional areas of common interest such as improving labour market information for students and workers, enhancing labour mobility, and improving foreign credential recognition for newcomers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Kenney', written over the printed name.

Honourable Jason Kenney, PC, MP
Minister of Employment and Social Development and Minister for Multiculturalism

Cc: Honourable Kelly Regan, Minister of Labour and Advanced Education