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An Inventory of Government Incentives for Employer-sponsored Worker Training in Canada and the United States

Jack van Walraven (Industry Canada)

Working Paper 2005 B-03

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Abstract

Employer-sponsored worker training is recognized as one means of developing Canada into a more innovative and knowledge-based economy, in order to better compete in the growing international marketplace. Research into Canada's performance in employer-sponsored training has shown that there is noticeably less training carried out by employers in this country than in the United States. The research presented in this paper draws an inventory of the types of government incentives for employer-sponsored worker training found in Canada and the U.S. A comparison of the relative fiscal sizes of these public policy incentives is made to determine whether they may be a factor in Canada's weaker performance in employer-sponsored training.

Résumé

La formation parrainée par l'employeur est reconnue comme étant l'un des moyens de faire du Canada une économie du savoir encore plus innovatrice de manière à lui permettre de soutenir la concurrence qui se fait de plus en plus vive sur le marché mondial. Selon certaines études, il y a beaucoup moins de formation parrainée par l'employeur au Canada qu'aux États-Unis. L'étude présentée dans ce document contient une liste des types de mesures gouvernementales destinées à stimuler la formation parrainée par l'employeur au Canada et aux États-Unis. On y établit une comparaison de l'importance relative des stimulants fiscaux afin de savoir si celle-ci est responsable de la plus faible performance du Canada en matière de formation parrainée par l'employeur.

1. Introduction

Worker training can be recognized as an important means in the goal of changing Canada into a more innovative and knowledge-based economy – a goal driven by the need for Canadian businesses to develop new strategies for competing in an international marketplace. Worker training is viewed as a key supplement to initial education for advancing technological change that is demanded of a knowledge-based economy. Furthermore, it is expected that an aging population and decreasing labour force size, will create labour market conditions making it more imperative for Canadian employers to meet skill requirements through worker training, instead of through hiring of newcomers, such as university graduates.[1] Worker training can also play a role in productivity, an area in which Canada must improve to address challenges presented by a shrinking labour force and prevent a conceivable decline in the country's standard of living. Overall, the examination of the level of worker training undertaken by Canadian firms can provide an indicator of the country's innovative capacity and competitiveness as it reflects the ability and initiative of the Canadian workforce to undertake new technology and be more productive[2]. In this context, the level of employer-sponsored worker training carried out by firms in Canada relative to firms in other countries, notably the United States (U.S.), deserves some study.

In the fall of 2003, Canada's performance in employer-sponsored worker training received attention in a joint Industry Canada, Human Resources Development Canada issues paper[3] that was presented at the *Roundtable on Employer-Supported Training in Canada*. This and previous research has shown that the overall level of participation in employer-sponsored worker training in Canada has been noticeably less than in the U.S., even though training in Canada may appear more intensive. For example, indicators on sources of financing for worker training have shown that 51 per cent of working adult education and training participants in Canada (aged 25-65), said they received financial support from their employer, compared to 67 per cent in the U.S.[4] The following are some findings on participation and duration of employer-sponsored training in both countries.

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[1]Lin, Zhengxi and Tremblay, Jean-Francois., *Employer-Supported Training in Canada: Policy-Research Key Knowledge Gaps and Issues – Working Paper 2003 B-01*., (Human Resources Development Canada, Industry Canada, 2003)., p. 3.

[2]Cooney, Janice and Cowan, A., Training and Development Outlook – Canadian Organizations Continue to Under-Invest., (The Conference Board of Canada, 2003)., executive summary p. i.

[3]Lin, Zhengxi and Tremblay, Jean-Francois., *Employer-Supported Training in Canada: Policy-Research Key Knowledge Gaps and Issues – Working Paper 2003 B-01*., (Human Resources Development Canada, Industry Canada, 2003).

[4] Statistics Canada, 2001, *Adult Education Participation in North America: International Perspectives*, International Adult Literacy Survey (IALS) 1994-98.

There is less participation in employer-sponsored training, as well as job-related continuing education and training in Canada than in the U.S.:

- The participation rate in employer-sponsored, job-related training in Canada in the mid 1990's was 33% of full-time employees between the ages of 25 and 60 who were not self-employed[5]. This was lower than the corresponding measure in the U.S. at 42%. (See Table 1 below)

Overall, there are less hours per employee of employer-sponsored, job-related training in Canada:

- On average Canadian employees receive 27 hours of employer-sponsored job-related training per year, less than employees in the U.S. who receive 29 hours per year.

However, duration of employer-sponsored, job-related training is longer in Canada than in the U.S.:

- On average, Canadian trainees receive a total of 83 hours of job-related training per year from their employer, compared to 69 hours in the U.S.

Table 1 - Employer-sponsored Job-related Training

	Canada	United States
Participation Rate	33	42
Hours of training per employee	27	29
Hours of training per trainee	83	69

Source: "Employee Training: An International Perspective", International Adult Literacy Survey (IALS) 1994-1998; data refers to job-related training for full-time employees between the ages of 25 and 60, that employers provided or partially paid for.

This paper attempts to inventory government incentives directed toward employer-sponsored worker training in both Canada and the U.S., to determine whether this weaker performance may be partially due to differences in the size of these public incentives for worker training between the two countries.

Overall, this research finds that differences in the size of government incentives for employer-sponsored worker training are too small to likely be a factor in Canada's lower performance in this form of training. The size of government expenditures allocated to public

[5]Full-time employees also refers to those who worked at least 42 of the 52 weeks preceding the survey.

incentives for employer-sponsored training in both countries appeared too small (for the most part) to likely have any meaningful impact upon aggregate private costs for training and hence an overall training outcomes.

In the sections that follow, the scope of the research into government incentives for employer-sponsored worker training is defined. The type and size of incentives for employer-sponsored training that are available in each country is presented, as well as the size of private employer enterprise expenditures for worker training. The total size of the public incentives in each country are compared with private expenditures of the same and expressed as a training ratio. Observations, analysis and conclusions are made about Canadian and U.S. public incentives for employer-sponsored worker training, from the data presented.

2. Scope of Study

To bring clarity to this paper, the type of worker training, fiscal incentives and government programs that were examined and compared in this study are explained, as well as some of the parameters of the research.

Employer-sponsored Worker Training

The discussion of employer-sponsored worker training in this paper includes post-compulsory education and training that is both formal and informal. Formal training includes training that is planned in advance, has a structured format and a defined curriculum. Progress is monitored or measured. It includes courses taken in a classroom setting, correspondence courses and apprenticeship training. The training is either job-related or for career development (not for personal interest) and is either fully or partially paid for by the employer. Informal training includes on-the-job training that is unstructured, unplanned and easily adapted to situations and individuals.

Government Incentives for Employer-sponsored Worker Training

Only public fiscal incentives, delivered by means of a government subsidy or through tax relief, and used to reduce private costs of employers or employees for employer-sponsored, job-related, worker training, were examined. Five employer-based public incentives for worker training were examined, including *pure grant schemes* and four tax arrangements – *corporate tax deductions, train-or-pay schemes, bond financing,* and *levy/grant schemes*. These incentives are further referred to as government cost-sharing training incentives. Legislative, non-fiscal incentives which may reduce employers training costs – namely *pay-back clauses* – were not examined.[6]

[6] *Pay-back clauses* require a worker to reimburse an employer for a portion of training costs if the worker leaves the employer within a specified period after receiving training. They are used in the U.S. but only to a limited extent, since they are not established by law and are only permitted within certain limits in individual contracts or collective agreements.

Government subsidies allocated towards *apprenticeship training* were also included. Apprenticeships are a form of employer-based worker training that theoretically operate as a cost-sharing scheme between employers and employees. Government subsidies allocated towards this type of training through various means, reduce employer and employee training costs.

Government Programs for Worker Training

Related to the government cost-sharing training incentives described above, are specific government programs for administering funding for worker training to employers. In an attempt to capture a view of training incentives that are on-going, only government programs operational on an annual basis before the end of 2002, have been included in the analysis. One-time, annual grants occasionally allocated by governments towards a specific training project were not included.

In compiling this inventory, data on fiscal incentives for employer-sponsored worker training in Canada and the U.S., were obtained from a variety of sources applicable to different fiscal years. For purposes of comparison, earlier data was converted into 2002 dollars,[7] a year selected primarily on the basis of availability and accuracy of information and data. This exercise also assumes that all of the state customized worker training programs available in the U.S. in 1998-99, (the fiscal year for which data on these programs applies) continued in existence to the end of 2002.

Government Programs Not Included

Subsequent to compiling this research, a number of changes to government programs for employer-sponsored worker training have occurred in both Canada and the U.S.. Although these changes are small and do not influence the overall conclusions made from this research, they deserve some mention, and are outlined below:

> *U.S. Federal High Growth Jobs Training Initiative* - In the U.S., President George Bush's administration introduced the *High Growth Jobs Training Initiative* into law in 2001. This federal granting scheme, is aimed primarily at developing partnerships between the public employment and training administration, business and industry, and education and training providers – similar to the now-expired *H-1B Technical Skills Training Program*. Since 2002 to the fall of 2004, the *High Growth Jobs Training Initiative* has directed $92 million in funding towards public-private partnerships for skills training in a number of targeted high-growth industry sectors. The program is part of the Bush Administration's overall initiative to make the country's workforce investment system more demand driven – a collaboration of government, industry, and education and training providers aimed at training workers skills that are demanded in the

[7]Fiscal measures for employer-sponsored training incentives in Canada were adjusted using annual consumer prices indices for education obtained from Statistics Canada data series V737590. Fiscal measures for corresponding incentives in the U.S. were adjusted using annual consumer price indices for education and communication obtained from the U.S Department of Labor, Bureau of Labor Statistics data series CUUR0000SAE.

labour market.

New Ontario Funding for Apprenticeship System - The new provincial government announced $11.7 million of new funding annually for four years (to the end of 2007) to support three initiatives. A proposed *Apprenticeship Training Tax Credit* would refund 25% of salaries and wages paid to eligible apprentices, permitting employers to qualify for up to$5,000 per year per eligible apprentice. The government also intends to issue 1,500 *scholarships* of $1,000 each to high school students and a $2,000 bonus to employers who hire them. Finally, the government plans to invest $6 million to create new *Co-op Diploma Apprenticeship Programs* to enable apprentices to obtain a college diploma.

3. Public Incentives and Private Enterprise Activity in Employer-sponsored Worker Training

This section describes the type of public incentives available in Canada and the U.S. that are meant to contribute to the level of employer-sponsored worker training taking place in each country. The type of public training incentives examined include a variety of government cost-sharing incentives as well as direct and indirect subsidies for apprenticeship training. A brief summary of the public training incentives and accompanying programs available in the two countries is provided in *Appendix I*, along with their size measured in dollar estimates. A more detailed review of these government incentives and related programs is provided in *Appendix II*. The extent of employer-sponsored worker training occurring in each country is also provided. Estimated expenditures incurred by private-sector employers for worker training are presented with information on their supporting surveys.

3.1 Government Cost-sharing Training Incentives

Total government cost-sharing measures for employer-sponsored worker training in the U.S. expressed into 2002 dollars were estimated to be US$1,228.6 million, or US$9.6 per employed worker in the workforce. Approximately 33% of the U.S. expenditures for government cost-sharing training incentives were financed by the federal government, either through *grant schemes* authorized under the *Workforce Investment Act* (WIA) or by means of a *levy/grant scheme* implemented through the *H-1B Technical Skills Training Program*. The larger portion of government cost-sharing measures for employer-sponsored worker training estimated for 2002, were funded by state governments. Forty-five states delivered approximately US$828.1 million of funding to employers through customized worker training programs that were structured as either a *grant scheme*, *tax deduction*, *levy/grant scheme* or *bond financing*.

For Canada, total government cost-sharing measures for employer-sponsored worker training expressed in 2002 dollars, were estimated at CAN$70.5 million, or CAN$5.4 per employed worker in the workforce. These were funded at the provincial level, either by means of a *grant scheme* offered through programs in the provinces of Ontario, Manitoba and Nova

Scotia, or by means of a *train-or-pay scheme*, in the province of Quebec.[8]

3.2 Subsidies to Apprenticeship Training

Apprenticeship training is another form of employer-sponsored worker training that is included in this study, as apprentices are explicitly identified in the 1994-1996 International Adult Literacy Survey used to compare employer-sponsored worker training between Canada and the U.S.. An apprenticeship is an agreement between a worker who wants to learn a skill and an employer who wants a skilled employee. This agreement combines employment, on-the-job skill development and formal vocational training for workers entering an occupation. Employers bear a portion of the costs for apprenticeship training to the extent their training costs are not compensated for by lower wages. Apprentices bear a portion of such costs to the extent that they accept wages lower than they can get elsewhere, in addition to other direct costs. Based on these traits, apprenticeship training is theoretically described as an employee cost-sharing incentive for employer-sponsored worker training. But in practice, both labour unions and governments are involved in apprenticeship training. Labour unions participate in the administration and organization of programs, while governments in both Canada and the U.S. absorb a portion of the costs of apprenticeship training.

Government spending on apprenticeship training has been considerably less in the U.S. than in Canada. Despite a larger number of registered apprentices in the U.S., both federal and state governments are estimated to spend approximately US$94.1 million a year, compared to Canada's federal and provincial spending of approximately CAN$280.4 million a year.[9] According to the U.S. Department of Labor's office of Apprenticeship Training, Employer and Labor Services (OATELS), registration in apprenticeship training in the U.S. was 482,283 in 2002, resulting in an estimated public expenditure of US$195 per registered apprentice. Canadian public expenditure per registered apprentice was considerably higher at CAN$1,288, based on total registrations of 217,560 for the year 2001.

In the U.S., most of the government spending in apprenticeships is for the administration of the National Registered Apprenticeship System. Estimates derived from data obtained from a number of sources and spanning a number of years, place federal administrative spending at US$20 million and state administrative spending at US$25 million.[10] *(See Appendix III)* Further

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[8]The fiscal measure of Quebec's train-or-pay scheme only includes the total training levy collected from employers who failed to fulfill their training obligation. The cost of training undertaken by employers who trained only for the purpose of avoiding the levy and who would otherwise choose not to train, is not included.

[9]Based on federal transfers to provinces for employment insurance wage support to apprentices (2001-02) obtained from Human Resources and Skills Development, and on provincial spending figures obtained from Roslyn Kunin & Associates, Inc., *Provincial Funding of Apprenticeship Programs in Canada – How Much are We Investing?*, March 2004.

[10]U.S. apprenticeship data regarding government spending and registrations were obtained from three sources: the U.S. Department of Labour, Bureau of Apprenticeship Training; state budgets; and a survey of 34 states - 16 Federal Bureau of Apprenticeship and Training state offices and 18 State Apprenticeship Councils.

state spending on subsidization of apprenticeship training obtained from state budgets – most notably in the states of California and Florida – were estimated at US$49.1 million. Potential state spending on apprenticeship training that may occasionally be funded from federal funding allocated under the Workforce Investment Act, was not included; however, this spending is likely to be insubstantial given the other demands within state jurisdictions that are placed on these federal transfers. Tax expenditures allocated to apprenticeship training tax credits, available in a handful of states and usually targeted to specific industries or youth, were also not included.

In Canada, the federal government contributes directly to apprenticeship training by providing income support to apprentices by means of employment insurance, while they are enrolled in the classroom portion of their training. In 2002 the Canadian federal government made approximately CAN$28.4 million in transfers to the provinces for employment insurance wage support to apprentices. *(See Appendix IV)* In the same fiscal year, provinces contributed an additional CAN$252.0 million towards apprenticeships for administration of training programs and subsidization of training.[11] Some of this spending may include federal transfers arranged through Labour Market Development Agreements and provided under Part II of the Employment Insurance Act, for delivery of a variety of programs and services. For reasons of comparability and data accuracy, tax expenditures for on-the-job training tax credits were not included in this figure. These tax credits are available in the province of Quebec for employers' expenses related to the training of apprentices, but they also are provided for employers' expenses related to the training of vocational secondary school students and college students – trainees that are not included in the scope of this study.

When combined with the previously discussed government cost-sharing training incentives, public expenditures allocated to apprenticeship training in Canada accounted for the majority (approximately 80%) of all fiscal incentives for employer-sponsored worker training. The size of public investment into this training appears substantial given that, overall, apprenticeships appear to account for a very small percentage of employer-sponsored worker training. According to the 1994-1996 International Adult Literacy Survey, only a very small percentage (1%-2%) of adults receiving job-related, employer-sponsored worker training in the year before the survey, were doing so to attain an apprenticeship certificate. This was true in both Canada and the U.S..

3.3 Private Enterprise Expenditures

Total spending on worker training by private enterprise was estimated at US$65.25-billion in the U.S. and CAN$3.99-billion in Canada. These figures were estimated based on two separate surveys of private enterprise training – one in Canada and one in the U.S. Results from the surveys that were conducted in different years were converted into 2002 dollars for comparison:

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[11]Roslyn Kunin & Associates, Inc., *Provincial Funding of Apprenticeship Programs in Canada – How Much are We Investing*., March 2004, Vancouver B.C., Prepared for Human Resources Development Canada.

U.S. Survey

- *Bureau of Labor Statistics – Results from the 1995 Survey of Employer-Provided Training*[12]

  Data extracted from this survey showed that in 1994 private enterprise employers in the U.S. with 50 or more employees spent US$53.7-billion (US$65.25-billion in 2002 constant dollars) for both formal and informal training.

  The survey compiled information collected from employers to determine some of the *direct costs* associated with providing *formal training*. These costs included the dollar amount spent in 1994 on wages and salaries of in-house training personnel, fees paid to outside training companies, tuition reimbursement, and contributions to outside training funds. Information on direct training costs that were not included in the survey were payments for equipment, supplies, space and travel for training. The total direct costs incurred by private enterprise employers in 1994 was estimated to be $16.6 billion.

  The survey also compiled information collected from both employers and employees, to determine the *indirect costs* of training to employers – namely the cost of wages and salaries paid to employees while in training. The survey included wages and salaries paid for both *formal* and *informal training*. Total indirect costs for salaries and wages incurred by private enterprises was US$37.1-billion, including indirect costs for formal training of US$12.8-billion and indirect costs for informal training of US$24.2 billion.

  The survey used two survey instruments – a questionnaire and a training log. It included a sample size of 1,433 establishments to represent the universe of all establishments with 50 or more employees. It also included a sample size of 2,124 potential employees (two employees from each of the 1,062 establishments that responded to the employer survey) of which 1,074 responded.

Canadian Survey

- *Workplace and Employee Survey (WES)*[13]

  This survey estimated total training expenditures incurred by all businesses operating in Canada in 2001 to be CAN$3.84-billion (CAN$3.99-billion in 2002 constant dollars).

  The survey covered both employers and their employees. It included training expenditures for both *formal* and *informal training* as well as *direct* and *indirect training costs*. Costs included in the survey were salaries, travel and living costs for trainers and trainees, contracts to vendors, direct tuition to schools or training institutions, training

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[12]Frazis, Harley,. Maury Gittleman, Michael Horrigan and Mary Joyce., *Results from the 1995 Survey of Employer-Provided Training*., Bureau of Labor Statistics, June 1998, Vol. 121, No. 6.

[13]Statistics Canada,. *Workplace Employee Survey (2001)*., Carole Fraser.

materials, overhead or office costs for training, and other training expenses. Businesses in the northern territories (Yukon, Nunavut and the Northwest Territories) were excluded. Certain employers were also excluded (employers operating in crop production and animal production; fishing hunting and trapping; private households, religious organizations and public administration). The survey also estimated a total of 701,123 workplaces in Canada, of which an estimated 200,860 workplaces reported a training expenditure.

4. Overall Impact of Government Incentives

In addition to providing a view of the type of training incentives used in both Canada and the U.S., the fiscal measures obtained in compiling this inventory also provide an indication of the potential for these incentives to influence employer-sponsored training. As measured above in dollar amounts, the size of the incentives also represent public expenditures towards worker training that may be compared to private enterprise expenditures of the same. Expressed as a public/private expenditure ratio for employer-sponsored training, this comparison provides a measure of the impact of public training incentives upon overall private training costs and hence their potential for influencing employers' decisions to train. A high proportion of government expenditures for employer-sponsored training relative to private expenditures of the same would reflect a high public burden for the country's overall worker training. Overall, such a burden would lessen employers' training costs and would potentially have a high degree of influence upon employers' decisions to train.

Two public/private expenditure ratios for employer-sponsored worker training were made for each country and compared. The first measure expressed government expenditures in cost-sharing training incentives relative to private expenditures for worker training (public subsidies to apprenticeships were excluded). The results were small for both countries. Although government incentives for employer-sponsored training have been prevalent throughout the U.S., with forty-five out of fifty states using customized training in 1998-99, government expenditures allocated to these incentives amounted to only 1.9% of private enterprise spending in formal worker training. In Canada, expenditures for government cost-sharing incentives were marginally lower at 1.8% of private spending in formal worker training. The public/private expenditure ratios for employer-sponsored training appear small for both countries, indicating that the government incentives were unlikely to have any meaningful impact upon overall employers' training costs in both jurisdictions, and therefore, unlikely to influence employers' investment in training and overall training outcomes.

In the second measure, public subsidies to apprenticeship training were included in the analysis. Given Canada's higher subsidization of apprenticeship training, not surprisingly total government incentives for employer-sponsored training and their resulting public/private training ratios, posted greater increases in Canada relative to the U.S.. Public expenditures allocated to worker training incentives in Canada increased from CAN$70.5 million, or $5.40 per employed worker, to CAN$350.9 million, or $27 per employed worker. Corresponding

expenditures for public training incentives in the U.S. only increased from US$1,228.6 million to US$1,322.7 million, marginally increasing government incentives per employed worker from $9.60 per worker to $10.30 per worker. Public subsidies to apprenticeship training substantially increased Canada's public/private expenditure ratio for employer-sponsored training from 1.8% to 8.8%. The outcomes for the U.S. changed marginally from 1.9% to 2.0%.

With the inclusion of government subsidies for apprenticeship training, Canada's greater public/private expenditure ratio for employer-sponsored training – more than twice the ratio in the U.S. – indicates a noticeably larger proportion of public expenditures allocated to government incentives for employer-sponsored training than the U.S.. Despite this proportionally larger investment, Canada's performance in employer-sponsored worker training remains lower.

5. Conclusions

Given the growing importance of worker training in Canada's development into a knowledge-based economy, there is a need to further understand results from past research that has demonstrated an under-performance in the level of employer-sponsored worker training in the country, relative to the U.S.. Governments in both countries offer public incentives for worker training by providing special programs geared towards reducing private training costs. This research finds that, for the most part, the size of these incentives in both countries were too small to likely have any significant impact upon private training costs and hence worker training outcomes. Differences in the size of government incentives for worker training between the two countries are even smaller and therefore cannot account for Canada's under-performance in the level of employer-sponsored worker training relative to the U.S..

Overall, government incentives for employer-sponsored worker training have been more prevalent in the U.S.. Worker training programs in the U.S. were available at the federal level, through the *Workforce Investment Act* as well as the *H-1B Technical Skills Training Program*, and they have been popular among many state governments, with forty-five states providing customized worker training programs in 1998-99. Meanwhile, in Canada training programs for actively employed workers have been only offered at the provincial level, available in only four provinces in 2002. Of the five types of government cost-sharing measures for worker training that exist, four of them – *grants*, *levy-grants*, *corporate tax deductions* and *bond financing* – were used in the U.S.. In Canada, *grants*, *levy-grant schemes* and the *train-or-pay scheme* were used.

As expected, public expenditures for government cost-sharing training incentives (excluding subsidies to apprenticeship training) were greater in the U.S. at an estimated US$1,228.6 million, or US$9.6 per employed worker, compared to Canada's corresponding expenditures of CAN$70.5 million, or CAN$5.4 per employed worker. Despite the prevalence of worker training programs throughout the U.S. and the country's expectantly higher levels of public investment in worker training, public expenditures for government cost-sharing training

incentives were too small in both countries to likely have any meaningful impact on the overall private costs of worker training. U.S. expenditures for government cost-sharing incentives in worker training, represented only 1.9% of total private enterprise expenditures for worker training in the country. A similar public/private ratio for employer-sponsored training in Canada was marginally lower at 1.8%.

Table 2 - Public Fiscal Incentives for Employer-sponsored Worker Training Relative to Private Employer Expenditures for Worker Training
(2002 dollars)

		U.S.	***Canada***
Government Incentives for Employer-sponsored Worker Training:			
Government Cost-sharing Training Incentives			
• Total Public Measures	(A)	$1,228.6 million	$70.5 million
• Public Measures per Employed Worker[14]		$9.60	$5.40
Subsidies to Apprenticeship Training			
• Total Public Measures	(B)	$ 94.1 million	$280.4 million
• Public Measures per Registered Apprentice		$195	$1,288
Total Government Incentives	(A+B)	$1,322.7 million	$350.9 million
Total Government Incentives per Employed Worker		$10.30	$27
Private Spending on Employer-sponsored Worker Training		$65,250.3 million	$3,993.5 million
Fiscal Incentives as a Proportion of Private Enterprise Spending on Employer-sponsored Worker Training:			
• Government Cost-sharing Measures Only		1.9%	1.8%
• Total Public Fiscal Incentives		2.0%	8.8%

Surprisingly, even though Canada's total number of registered apprentices was less than half the number in the U.S., the country's public expenditures in apprenticeship training (CAN$280.4 million or $1,288 per registered apprentice in 2002) exceeded corresponding public training expenditures in the U.S. (US$94.1 million or $195 per average registered apprentice from 2000 to 2003). Government subsidies for apprenticeship training in Canada represented

[14]U.S. employment for 2002 was obtained from the U.S. Bureau of Labor Statistics, Table A-4. Labor force status of the civilian population 25 years and over by educational attainment, unadjusted data series LNU0207659, LUN0207660, LUN0207689 and LUN0207662. Canadian employment for 2002 was obtained from Statistics Canada, Table 282-0087 - Labour force survey estimates by sex and age, unadjusted data series V2064998.

approximately 80% of the country's total government incentives in employer-sponsored worker training – a high proportion given that apprenticeship training appeared to account for a very small percentage of employer-sponsored worker training in both Canada and the U.S.. Subsidies for apprenticeship training boosted total government incentives for employer-sponsored worker training in Canada to CAN$350.9 million, or $27 per employed worker, but marginally increased corresponding measures in the U.S. to US$1,322.7 million, or $10.30 per employed worker. The inclusion of apprenticeship subsidies in the measure of total government incentives in employer-sponsored worker training, noticeably increased Canada's public/private expenditure ratio for employer-sponsored training from 2.1 % to 8.8%, surpassing the corresponding indicator for the U.S. at 2.0%.

In comparing the public/private expenditure ratios in employer-sponsored training measured without government subsidies to apprenticeship training, the differences between the two countries is marginal, indicating that differences in the size of government incentives for employer-sponsored worker training between the two countries has not been a significant factor in Canada's lower performance in this form of training. The low ratios in both countries show that government incentives for employer-sponsored worker training had little effect in reducing overall employers' training costs and were therefore unlikely to have any significant impact on training outcomes in the workplace. Meanwhile, the public/private expenditure ratios in employer-sponsored training that included government subsidies to apprenticeship training, show that as a proportion of private expenditures Canada subsidizes employer-sponsored training at more than four times the rate than in the U.S.. Despite this noticeably higher rate of subsidization in mostly apprenticeships, results from earlier research have indicated Canada's performance in employer-sponsored training continues to lag behind the U.S..

Overall, the findings in this inventory of government incentives for employer-sponsored worker training, show that differences between Canada and the U.S. in the size of expenditures allocated to these incentives, are unlikely a factor in Canada's under-performance. More research, using up-to-date data on government and private expenditures allocated to worker training, is needed to provide a more current view of government incentives for employer-sponsored worker training and to confirm the findings in this study.

The findings in this study also raise some important policy questions: To what extent can government incentives encourage employers to invest more in training; and, if they can encourage employers to train, how much of an incentive is necessary to generate a significant impact?

APPENDIX I

Summary of Fiscal Incentives for Employer-sponsored Worker Training – Canada and the United States

Government Incentives	U.S. Programs (US$)	Canadian Programs (CAN$)
Government Cost-sharing Training Incentives		
Federal Measures:		
• *Grant*	WIA potential training incentives through state rapid response activities *$309.8 million enacted in 2002*	n/a
• *Levy/Grant*	H-1B Technical Skills Training Program *$90.7 million enacted in 2002*	n/a
Total Federal Incentives (2002 dollars)	*$400.5 million*	n/a
State/Provincial Measures:		
• *Grant*	Customized training programs in 32 states *$304.6 million in 1998-99 ($327.7 million in 2002 dollars)*	Manitoba Industry Training Partnerships *$3.3 million in 2002* Nova Scotia Workplace Education Initiative *$0.4 million in 2002-03* Ontario Strategic Skills Initiative *$20.0 million in 2002*
• *Tax Deduction*	Worker training tax credits in 23 states *$190 million in 2002*	n/a
• *Levy/Grant*	Customized training programs in 10 states *$211.8 million in 1998-99 ($227.8 million in 2002 dollars)*	n/a
• *Bond Financing*	Customized training Programs in 4 states *$76.8 million in 1998-99 ($82.6 million in 2002 dollars)*	n/a

...continued next page...

Government Incentives	U.S. Programs	Canadian Programs
State/Provincial Measures continued....		
• *Train-or-Pay Scheme*	n/a	Quebec payroll tax for worker training *$45 million in 2001-02 ($46.8 million in 2002 dollars)*
Total State/Provincial Measures – (2002 dollars)	$828.1 million	$70.5 million
Total Government Cost-sharing Training Incentives	$1,228.6 million	$70.5 million
Subsidies to Apprenticeship Training		
Federal Measures:		
• *Apprenticeship Subsidy*	Federal administration *$20.0 million (average for 2000-2003)*	Federal transfers to provinces through Labour Market Development Agreements for EI (Part II) income support during classroom training. *$28.4 million (2002-03)*
State/Provincial Measures:		
• *Apprenticeship Subsidy*	State administration & other *$74.1 million (see Appendix III)*	Provincial administration & other *$252.0 million (2002 dollars; see Appendix IV)*
Total Subsidies to Apprenticeship Training	*$94.1 million*	*$280.4 million*
Total Government Incentives for Employer-sponsored Worker Training		
• *Government Cost-sharing Training Incentives*	*$1,228.6 million*	*$70.5 million*
• *Subsidies to Apprenticeship Training*	*$94.1 million*	*$280.4 million*
Total Government Incentives:	***$1,322.7 million***	***$350.9 million***

APPENDIX II

Government Incentives for Employer-sponsored Worker Training & Related Government Programs

1. Government Cost-sharing Training Incentives

There are five types of co-financed fiscal measures that reduce private costs for worker training by means of the government undertaking a portion of the burden. Generally they are more prevalent in the U.S., with the federal government and most state governments having implemented them. In Canada, their use has been confined to only four provinces.

1.a) Grants - Under a grant scheme, the government finances a portion of private costs for employer-sponsored training through general revenues allocated on an annual basis from a central budget. They are used in the U.S. by the federal government, through the *Workforce Investment Act (WIA)*. Among state government, grants are the most popular fiscal means of supporting worker training, with 31 states using them to finance *customized worker training programs* in 1998-99. In the same fiscal year, state funding for these training programs through grants amounted to US$304.6 million[15] – 51% of all funding for state customized worker training programs. Total funding of worker training from grants in the U.S. potentially amounted to US$638.2 million (in 2002 dollars) – $309.8 million potentially from the federal WIA and $327.7 million from state governments. *(See APPENDIX I)*

In Canada, grants are only used at the provincial level in Manitoba, Nova Scotia and Ontario. In 2002, Manitoba's *Industry Training Partnerships* program implemented CAN$3.3 million in fiscal measures for employer-sponsored training through grants. Nova Scotia's *Workplace Education Initiative* provided $0.4 million of fiscal measures through grants, while Ontario's *Strategic Skills Initiative* provided $20 million. Total combined provincial funding under this fiscal measure were approximately $23.7 million in 2002.

1.b) Tax Arrangements

Most employer-sponsored, government training incentives are implemented through special tax arrangements designed to leverage employer investment in training. Under these arrangements, the government funds a portion of private, employer training costs in a variety of ways using a tax system – either a corporate income tax, a payroll tax or a franchise tax. There are four types of tax arrangements used for employer-sponsored training: *corporate tax deduction*; *levy/grant scheme*; *bond financing*; and, *train-or-pay scheme*. While they are common in the U.S., with 19 states offering tax schemes through *customized training programs* in 1998-99, in Canada, only the province of Quebec uses a tax arrangement.

> ***(i) Levy/Grant Schemes*** - Under this incentive, the government funds a portion of private training costs by imposing a special levy on all businesses – usually as a percentage of payroll. The levy is used to develop a fund from which businesses can

[15] Duscha, S. and Wanda Lee Graves., *State Financed and Customized Training Programs*., Prepared for the U.S. Department of Labor Office of Policy and Research, 1999.

apply for grants to subsidize employer training costs. The level of grants do not reflect company payments and therefore allow for a redistribution of funds.

Levy/grant schemes for funding worker training have been used in the U.S. at the federal level through the *H-1B Technical Skills Training Program* and at the state level through a variety of *customized worker training programs*. Total fiscal measures for worker training by means of levy/grant schemes were estimated at US$318.5 million (in 2002 dollars) – $90.7 million from the federal *H-1B Technical Skills Training Program* and $227.8 million[16] from state *customized training programs*.

(ii) Corporate Tax Deduction - Under this training scheme the government bears a portion of private training costs by reimbursing employers a specified portion of their training costs, through a reduction in corporate income tax. The reimbursement may be provided by means of either an increased income tax expense deduction, or a tax credit. An increased expense deduction for income tax purposes is used in a number of European countries (as in Austria, Italy, Luxembourg and the Netherlands) and simply allows employers to deduct amounts exceeding 100% of continuous vocational training costs from turn-over when computing taxable income. Extra deductions range from 10% of training expenditures to 50%. In the U.S., employers can deduct a portion of their training costs from their final corporate income tax liability or franchise tax liability, by means of a tax credit.

In North America, tax credits for worker training are only used in the U.S. at the state level, among approximately 23 states. Total state tax expenditures for these tax credits in 2002 were estimated at US$190 million, based on an average credit expenditure of US$8.3 million obtained from a sample of seven states.

(iii) Bond Financing - This scheme is a tax arrangement that uses payroll taxes collected from newly created jobs in which workers received training, to pay for the government's burden of private training costs. Bonds are simply a form of tax increment financing, traditionally used by governments to finance physical infrastructure, that have been applied to employer-sponsored training incentives.

Bond financing for funding worker training appears to be unique to the U.S., being used among only a handful of states to support their *customized training programs*. Funds for training are generated from the sale of bonds to private investors by state governments or colleges. Bond proceeds are only used to finance the private training of new or expanding businesses. The bonds are repaid from the new payroll withholding tax generated by the new jobs. Instead of the newly collected payroll taxes going into general government revenues, they are pledged to repay the bonds. As long as the company that is expanding hires enough new employees to generate tax revenue, it

[16]Ibid., page 26.

receives free training. Given the nature of financing the government's share of the training costs, these programs almost exclusively fund training for "new hires" (workers occupying newly created jobs) and they target large businesses moving into the state or large businesses that are expanding. In 1998-99 there were 4 states that used bond financing for their customized training programs, spending a total of US$76.8 million[17] ($82.6 million in 2002 dollars).

(iv) Train-or-Pay Schemes - Under this policy scheme, the government funds employer-sponsored training from a tax that is payable by firms who fail to provide worker training or fail to provide a sufficient level of worker training. This scheme was originally conceived in France as a means of penalizing companies who poached, a common problem in the 1970's. Firms have an incentive to meet an established minimum standard of worker training if they wish to avoid the penalty of paying the special training levy. Funds collected under the train-or-pay scheme are used to subsidize employer-sponsored training. The *levy/grant scheme* is an adaptation of this worker training scheme.

The train-or-pay scheme for financing worker training is now only used in Canada, in the province of Quebec, by means of a 1% payroll levy on certain employers who fail to adequately provide worker training. In the fiscal year of 2001-2002, the province collected CAN$55.0 million through the payroll training levy. Of this amount, CAN$45.0 million (CAN$46.8 million in 2002 dollars) was used for the subsidization of workforce training. The remainder used for promotion, applied research, and administration, was not included in the fiscal measure for this training incentives. The fiscal measure also does not include the cost of training undertaken by employers who train only for the reason of avoiding the levy, and who would otherwise choose not to train.

2. Related Employer-sponsored Worker Training Programs

Although governments may adopt similar measures for financing a portion of employers' private worker training costs, these incentives are administered through worker training programs that are usually unique to individual governments. Some of these specific programs are discussed below. Worker training programs administered by state governments are discussed in general terms only.

2.a) U.S. Programs

(i) Federal Workforce Investment Act (WIA)

Enacted in 1998, the WIA allocates federal funding for job-training programs delivered at the state level, to improve the employment prospects of adults, youth and dislocated workers.

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[17] Ibid., page 27.

Funding from the Department of Labour's Employment and Training Administration, is provided through a system of One-Stop Career Centres operated in each state. Although services provided under the WIA are primarily aimed at connecting individuals with employers, some funding is also available for employer-sponsored training through grants administered at the state level. The WIA reserves 25% of the funding allocated to dislocated workers, specifically for state "rapid-response activities." Included in the list of rapid-response activities is the aversion of lay-offs, permitting states to implement federally-funded training programs specifically targeted at incumbent workers.

In 2002, within the U.S. Department of Labour Employment and Training Administration's budget, US$1,239,200,000 was enacted for formula grants towards dislocated worker employment and training activities. Of this amount, 25% or US$309,800,000 was allocated for state rapid-response activities. The actual spending of these funds by individual states may have gone to a variety of state rapid-response activities, including the training of incumbent workers for the aversion of lay-offs. As a result, the figure of approximately US$310 million represents the maximum amount of federal funding available for incumbent worker training in 2002. It does not represent actual spending for this type of training.

(ii) Federal H-1B Technical Skills Training Program

This federal program supported the training of employed and unemployed American workers in highly skilled H-1B technical occupations, to fulfill jobs that could not be addressed by the existing American labour market, due to a shortage of these skills. It was not intended to address lower-skilled-level labour shortages or to impart basic educational skills.[18] The program was intended to provide three target outcomes for participants who completed training: The Hiring of unemployed trainees; increased wages or salaries of employed workers; and, skill certificates documenting skills acquisition or a link to industry accepted occupational standards, certificates, or licensing requirements. Increased priority was also given to occupations relating to the higher levels of computer science and information technology; architecture, engineering and surveying; biotechnology, biomedical research and manufacturing; and, advanced manufacturing technology.

The *H-1B Technical Skills Training Program* was highly geared towards employer-sponsored training. The participation of businesses with high technology skills shortages was essential in the local Workforce Investment Boards and partnerships. These bodies received the federal funding and were responsible for developing and operating H-1B technical skills grant projects. They were also required to fund a portion of the training through cash or in-kind contributions.

The federal government funded the *H-1B Technical Skills Training Program* by allocating a portion of fees collected from the issuance of H-1B working visas to the program.

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[18]Technical skills training is geared towards workers who can be trained and placed directly in highly skilled H-1B occupations or in the lower echelons of an H-1B career ladder. Workers at the H-1B skill level are generally characterized as having a Bachelor's degree or comparable work experience.

Funding was limited under the *American Competitiveness and Workforce Improvement Act* (ACWIB), which set the annual limit of H-1B visas that could be issued, set the application fee for the issuance of H-1B visas and authorized the portion of funds generated from the visas to be allocated to the federal training program.[19] In the fiscal year of 2002, the actual amount of funding enacted for the federal training program was US$90.73 million, even though the ACWIB 2000 permitted US$107.25 million. The lower amount of spending on the training program in the year is likely due to the lower-than-expected-demand for the issuance of H-1B visas.

The ACWIB 2000 established funding for the *H-1B Technical Skills Training Program* until the end of 2003. Recent inquiries with the federal Department of Labour revealed that funding will not be renewed after 2003, effectively terminating the program.

(iii) State Worker Training Tax Credits

In 2002, worker training tax credits were offered in approximately 23 states.[20] The portion of eligible training expenses reimbursed under the tax credit have ranged from a low of 1.6% in Illinois to a high of 50% (the most frequent) in the states of Missouri, Ohio, Rhode Island, Georgia, Kentucky, Mississippi, and North Carolina. The size of the credit is often limited – usually on the basis of an amount of dollars per employee – and can range from a low of $100/employee in Virginia to $10,000/employee in Arkansas; although limits of $500-$1,500/employee have been more frequent. Some credits are limited on the basis of an annual program cap (i.e. $50,000/year in Kansas) or a cumulative program cap (i.e. $80,000,000 over 4 calendar years commencing in the year 2000 in Ohio).

State worker training tax credits are generally made available for at least one of three types of education and training:

- *Employer-sponsored Job Instruction* - Credits for employer-sponsored job instruction aimed at upgrading the skills of the workforce, are the most common and generous offered by states.
- *Basic Skills Training* - Some states (Rhode Island, Louisiana) have offered credits for employer-sponsored basic skills training, in an effort to reduce the pool of unskilled labour. Though they are typically more limited in amount, in Louisiana they were worth $250 for each employee who voluntarily completed the basic skills education program. Criteria for basic skills education includes remedial education in reading, writing, or mathematics for employees whose

[19]The American Competitiveness and Workforce Improvement Act (ACWIA) of 1998 imposed a $500 user fee on employers for each H-1B visa application and authorized the use of 56.3% of the fee to finance the H-1B Technical Skills Training Grant Program. In 2000, the ACWIA was amended, increasing the H-1B user application fee to $1,000 and authorizing the use of 55% of funds generated from H-1B visa applications for funding the H-1B training program.

[20]This number is exclusive of states providing training tax credits for disadvantaged groups and unemployed workers.

education fall below the level of a high school graduate.

- *Tuition Reimbursement* - Some states include tuition assistance in the eligible costs of general employer-sponsored training, while other states offer special credits to employers for tuition reimbursement. The rationale for providing credits for tuition reimbursement is that they enable more state residents to acquire access to a college education.

To be fully effective as a training incentive, worker training tax credits need to provide a benefit to employers through unprofitable fiscal years, since it is precisely during these slack periods in the business cycle that the economic cost of forgoing production during training is the lowest. For this reason they usually include a number of characteristics:

- *Non-Refundable* - Training credits in excess of a tax liability usually cannot be refunded to the tax-paying firm in cash. This can limit the value of the credit for years in which tax-paying firms incur net operating losses. Most training credits include a carry-over feature and are transferable.
- *Carry-over* - For years in which they incur net operating losses (NOLs), states generally allow tax-paying firms to apply (carry-over) unused credits realized in a given tax year to a tax liability in another year. Typically a 5-year forward carry-over period is permitted, but some states also allow a credits to be carried back 3 years.
- *Transferable* - Tax-paying firms may be permitted to sell unused credits or otherwise transfer credits from one entity to another. This is can be a valuable option for companies anticipating non-operating losses (NOLs), such as start-up ventures in their early years of operation.
- *Retroactive Approval* - Some states allow tax-paying firms to secure retroactive approval for credits. A taxpayer that has retained or can regenerate supporting documentation may be able to secure credits for open tax years by filing amended returns.

(iv) State Customized Worker Training Programs

Worker training programs aimed at decreasing employers training costs have been prevalent throughout the U.S. at the state level. In 1998-99, 45 states provided employer-sponsored worker training through *customized training programs*. These programs were supported by means of one of three fiscal measures described earlier: Pure *grant schemes* funded through state general revenues, *levy/grant schemes*, or *bond financing*. Despite the differences in financing fiscal measures for worker training, all of the state programs directly subsidized employer-sponsored worker training, often by as much as 50% of the costs.

State customized worker training programs are generally demand-driven, but training outcomes can differ on the basis of a number of training criteria. Workers eligible for training may include or be specifically targeted towards incumbent workers (ie. workers actively employed in a company) or new hires. In 1998-99, out of 45 states with customized worker training programs, only nine states specifically targeted new hires. Total program funding

among states in the same year saw approximately 54% allocated to incumbent workers and 46% to new hires. Customized worker training programs that target new hires, generally coincide with the state government's primary goal of deriving economic benefits from training by attracting new industry to the state and creating new jobs. States with clear program objectives often limit employers eligible for training assistance by targeting specified industry sectors. In 1998, approximately 27 states included manufacturing in their list of targeted industries, and collectively states allocated approximately 70% of their total funding to manufacturing. A national survey of customized worker training programs also found that states were experiencing some difficulty in reaching smaller firms. Further differences in state customized training programs also occur on the basis of program and project administration, eligible training providers, and type of training costs eligible for funding assistance.

Despite the prevalence of state customized training programs and their level of sophistication, in 1998-99 total spending for these programs was approximately US$593.2 million – $4.71 on a per capita basis (total budgets by state divided by the seasonally adjusted non-farm employment reported by the Bureau of Labour Statistics).[21] Most of the states (approximately 40) spent less than $1000 per trainee – eight of which spent less than $375 per trainee. Four states (California, Iowa, Rhode Island and Texas) spent more than $1000 per trainee. Average spending allocated to each training project ranged from less than $25,000 per project in seven states to $400,000 per project in California and New Mexico. Surveys also showed a remarkable increase in spending on state customized training programs in the 1990's.[22]

2.b) Canadian Programs

(i) Manitoba Industry Training Partnerships

Industry Training Partnerships (ITP) includes four education-related programs, of which three – *Sectoral Partnerships*, *Province-wide Special Courses*, and *Workplace Essential Skills* – support the training needs of both new and existing workers. The programs operate on a consortium basis – individual companies are not eligible for assistance from ITP, with the exception of single large companies which constitute "the industry" in Manitoba. Training agreements are made with larger umbrella associations representing many similar types of businesses. These associations establish human resource committees to identify common training needs and develop specific training projects. They are eligible to receive funding from one of the three programs to administer training delivery to the businesses it represents. Overall ITP training programs are broadly targeted to both public and private employers and organizations; however small and medium-sized enterprises are highly targeted. Differences also exist among the three training programs:

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[21]Duscha, S. and Wanda Lee Graves., *State Financed and Customized Training Programs*., Prepared for the U.S. Department of Labor Office of Policy and Research, 1999.

[22]Total program spending in 1998-99 was 10% higher ($52 million) from the preceding year and 63% higher than a decade earlier (1988-89), while per capita spending increased by 7% from the preceding year and by 36% from the previous decade.

- *Sectoral Partnerships* - This program brings together industry associations with training providers and labour market partners to undertake human resource planning and develop training initiatives to fulfill those plans. Associated employers must be considered economically strategic, wealth-creating, and export-oriented to be eligible to participate. Companies must also demonstrate a long-term commitment to human resource planning, be willing to provide employees with potable skills, and be willing to share in the cost of training.

- *Province-wide Special Courses* - The province works with leading industry-serving organizations to identify emerging industry trends considered essential to the competitiveness of Manitoba companies across industry sectors. Training initiatives are developed and delivered, with the help of the industry representatives, to qualifying small and medium-sized businesses. The *Province-Wide Special Courses* program is more broadly targeted to Manitoba businesses and organizations interested in improving competitiveness in any one of four key areas – quality-related training; high level workplace skills; export-related training; and, workplace-based training.

- *Workplace Essential Skills* - This a customer-driven program that provides individual organizations with essential skills training, such as reading, writing, numeracy, communication and computer skills. The province works with business and labour to assess an organization's essential-skills training needs, develop curriculum and deliver training. The *Essential Skills* program is broadly targeted to new or incumbent workers employed in any Manitoba business or organization.

The ITP training programs leverage investment in training initiatives from industry but do not specify a proportion of training costs that must be paid by organizations receiving training support. There is no maximum funding limit for training projects. Funding amounts are negotiated for each project and determined by the activity required, the number of partners involved and the amounts each is contributing. The province claims the proportion of training costs shared between the province and industry is generally 50/50, but data on funding suggest that the leverage ratio can be as high as 1:5.[23]

The total budget for the ITP initiative for the 2002-2003 fiscal year was CAN$3,345,000, with approximately $940,000 going to provincial funding for training of existing workers under the *Sectoral Partnerships* program, $60,000 allocated to *Province-Wide Special Courses*, and $45,000 allotted to *Workplace Essential Skills*. The remaining $2,300,000 of funding went to

[23]For example, $6 million of funding in the *Sectoral Partnerships* program over four years (1999 to 2002) leveraged $29 million in funding from industry, supporting 175 training initiatives resulting in training for 31,000 new and existing workers. The *Workplace Essential Skills* program leveraged funding for training close to the 50/50 ratio, with $45,000 of program funding usually generating up to $100,000 of funding from industry, business and labour partners for direct delivery of training programs.

program infrastructure.

(ii) Nova Scotia Workplace Education Initiative

The province of Nova Scotia supports skills up-grading of the province's labour force through the Department of Education's *Workplace Education Initiative,* comprising two programs. Incumbent workers are eligible for skills development through the initiative's *Workplace Education Program*, which provides on-the-job training that is customized to the needs of the organization. The *Workplace Education Initiative* is more broadly focused, providing funding to different types of public and private organizations including local municipal governments, unions, provincial transition centres, businesses and industries. Most of the companies that do receive funding for training are small businesses. Provincial administrators of the *Workplace Education Initiative* are also working to develop a greater interest in training from companies that export (out of province) products or services.

The second program included in the initiative is the *Workforce Skills Development Program*, for helping workers in transition (unemployed or entering the labour force) to develop essential skills useful for acquiring a new job. This may include funding employers for the purpose of hiring and training formerly unemployed workers.

In 2002-2003, the Workplace Education Initiative had total expenditures of CAN$760,000 for both incumbent and unemployed workers – $380,000 was direct grant funding through the program and an additional $380,000 was leveraged from employers.[24] This investment involved 110 training projects delivered to approximately 1,200 people in 55 workplaces and adjustment centres across the province.

In the first year of participating in the *Workplace Education Program*, organizations are asked to contribute to the training program by covering the costs of workers wages during training. In the second year of participation, organizations are asked to fund 10% of the instructors' wages – increasing to 15% to 20% in the third year. The amount of funding extended to any organization is limited to $5,000.

(iii) Ontario Strategic Skills Investment Program

This program offered grants to public/private partnerships established to develop and operate training projects that addressed skills training needed for business competitiveness. Grants were selected on a competitive basis and made available for start-up costs, that were essentially capital in nature, and for training project salaries and wages. Costs for buildings and equipment, curriculum development, related consultant and professional fees were eligible for reimbursement, but wage costs of employees in training were not.

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[24]This figure includes training costs incurred by the organization, such as trainees' wages and education materials.

The total funding for this fiscal measure was limited to CAN$130 million over 6 years, commencing in 1998 and expiring at the end of 2003. In the first year (1998), $30 million was allocated to the initiative as a pilot project. An additional CAN$100 million was allocated over 5 years (1999 to 2003), amounting to $20 million per year and applicable for 2002.

(iv) Quebec Payroll Tax for Manpower Training

Quebec's manpower training Act (officially known as *The Quebec Act to Foster the Development of Manpower Training*) requires that every employer in the province with a total payroll in a calendar year of $1 million or greater, invests 1% of total company payroll towards manpower training. The Act only applies to companies whose total annual payroll is $1 million or more. Until recently, the Act also applied to small businesses with a total annual payroll of $250,000; however, on June 12, 2003, the newly elected provincial government increased the payroll threshold for having to comply with the Act.

Employers who fail to invest in employee training in a given year, or who invest an amount less than required under the Act, must pay an amount equal to the difference between their training obligation (1% of total company payroll) and their eligible training expenditures actually incurred in the year. Such amounts are payable to the provincial Minister of Revenue and are deductible from the employer's income for both federal and provincial income tax purposes.

Funds collected by the Minister of Revenue from employers who failed to meet their training requirements are placed into the province's National Labour Force Training Fund managed by Emploi-Quebec. In the fiscal year for 2001-2002, a total of CAN$45 million was collected into the National Labour Force Training Fund and allocated to 4 categories of spending for training:

• Workforce training (employees)	$35 million
• Promotion of the Act & Fund	$5 million
• Training in specific industries	$10 million
• Applied Research & Administration	$2.5 million $2.5 million

APPENDIX III

U.S. Government Spending on Apprenticeship Training (US$)

Administrative Spending for National Registered Apprenticeship System:				
•	Total Federal Administration (1996)	A	$ 16,000,000	
•	Total State Administration (1996)	B	$ 20,000,000	
	Total		$ 36,000,000	
•	Total Federal Administration (average for 2000-03)	C	$ 20,000,000	
•	Total State Administration (estimated: B*C/A)	D	$ 25,000,000	
	Total Federal & State Administration (2002)	(C+D)		$45,000,000
Other State Support for Apprenticeship Training:				
•	California (2003-04)		$ 22,843,000	
•	Florida (2000-01)		$ 21,124,106	
•	New York		$ 2,000,000	
•	Wisconsin (2000-01)		$ 3,150,000	
				$49,117,106
	Total U.S. Government Spending on Apprenticeship Training			**$94,117,106**
	Registered Apprentices (2002)			**482,283**
	Estimated Cost per Registered Apprentice (2002)			**$195**

Notes:

U.S. spending excludes federal funding allocated to states under the Workforce Investment Act that may be used for apprenticeship training in a state jurisdiction under the discretion of the state governor. State support for apprenticeship training does not include tax expenditures allocated to apprenticeship training tax credits that are available in a handful of states and are usually targeted towards a specific industrial sector or youths.

Sources:

U.S. Department of Labor's Bureau of Apprenticeship Training; state budgets; and a survey of 34 states - 16 Federal Bureau of Apprenticeship and Training state offices and 18 State Apprenticeship Councils.

APPENDIX IV

Canadian Government Spending on Apprenticeship Training (CAN$)

Federal Transfers to Provinces for EI Wage Support to Apprentices (2001-02):

•	Newfoundland	$ 1,014,262
•	Nova Scotia	$ 530,528
•	Prince Edward Island	$ 168,825
•	New Brunswick (2002-03)	$ 2,000,000
•	Quebec	$ 4,719,620*
•	Ontario	$ 5,798,645
•	Manitoba (2002-03)	$ 911,597
•	Saskatchewan	$ 737,932*
•	Alberta	$ 5,136,806*
•	British Columbia/Yukon	$ 2,335,324
	Total Federal Spending	$ 28,360,532

Provincial Spending on Apprenticeship Training (2001-02):

•	Newfoundland	$ 4,715,993
•	Nova Scotia	$ 4,042,563
•	Prince Edward Island	$ 380,693
•	New Brunswick	$ 3,717,200
•	Quebec	$ 2,000,000**
•	Ontario	$100,371,551
•	Manitoba	$ 11,036,278***
•	Saskatchewan	$ 9,762,131
•	Alberta	$ 24,000,000
•	British Columbia	$ 82,452,000
	Total Provincial Spending	$251,973,472
	Total Federal & Provincial Spending on Apprenticeship Training	**$280,334,004**
	Registered Apprentices (2001)	**217,560**
	Estimated Cost per Registered Apprentice (2002)	**$1,288**

Note:

* Federal EI transfers were estimated using the median dollars per registrant of federal transfers from the remaining seven provinces.

** Tax expenditures for on-the-job training tax credits, available for employers' expenses related to the training of apprentices, vocational secondary school students and college students, are not included.

*** Provincial spending includes $5,143,778 in federal transfers for apprenticeship courses and tuition, not included in the provincial budget.

Sources:

Federal transfers to provinces for EI wage support were obtained from Human Resources and Skills Development Canada (Accountability, Planning and Reporting) or from provincial governmental departments (Alberta Human Resources and Employment, Corporate Services, Budget and Forecasts., Manitoba Advanced Education and Training., and, New Brunswick Training and Employment Development, Budgets/Accounting.). Provincial spending figures were obtained from Roslyn Kunin & Associates, Inc., *Provincial Funding of Apprenticeship Programs in Canada – How Much are We Investing?*, March 2004, Vancouver B.C., Prepared for Human Resources and Skills Development Canada.

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