



national  
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research

Fighting Against  
Skills, Loans  
and Grants

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**The federal government is getting out of the funding of training in community colleges**

As part of a major overhaul of public education, training and unemployment insurance benefits, the federal government will no longer directly purchase training space in community colleges destined for Employment Insurance (EI) beneficiaries.

**Skills, loans and grants: today's funding mechanism**

Under the *Employment Insurance Act*, extended weekly benefits are replaced by individualized "skills, loans and grants", if the provinces agree to have the federal government provide them as stipulated in the provincial labour market agreements. This means that the financial support will go directly to individuals in the form of a training voucher. The amount of the training voucher will depend on the income, level of savings, assets, and debts of the EI beneficiary. Training and employment services will be assessed on a "need" basis, not entitlement. This new funding scheme represents a major shift from institutional funding to an individualized funding model based on the voucher system. Because Human Resources Development Canada (HRDC) pays for the tuition only, individuals using skills, loans and grants will have to pay for course material, books and special equipment. This can only mean one thing, the financial burden will rest on the individuals' shoulders.

**Community colleges are forced to compete for training seats**

Once the money will be allotted, individuals will be directed to take these training vouchers to the provider of their choice to purchase training. Third party agencies, which can be public or private, not-for-profit or for-profit, or unions will be free to compete against community colleges to provide all forms of training and employment programs and services.

With the incursion of the voucher system in the provision of training, we are witnessing the emergence of the competitive element into the public system – a foreign concept to the community colleges providing training where the only priorities have always been quality, accessibility, affordability and accountability. Now, the public system is forced to 'compete' with the private sector for scarcer resources.

**Skills, loans and grants promote the privatization of training in Canada**

Skills, loans and grants, which are awarded through Human Resources Development Canada, are an encouragement to the privatization of training and post-secondary education in this country. In one particular province, HRDC is strongly directing the students to the private providers without even considering the community colleges. The federal government is thus using loans and grants as a tool to undermine public education and training. This type of arrangement is also used as a way to get rid of unions and instructors in the public post-secondary education sector. In addition, since close to a third of the colleges funding came through federal funding, the fact that the federal government is cutting that money opens the door to private providers. This means that the points of purchase for training will grow in numbers and we could witness the appearance of a "black market" of training. Where there is money to be made, we can bet on a proliferation of questionable training providers who set up their shingles at a moment's notice.

**Proliferation of training schools**

With no national guidelines or standards, training schools can be up and ready to go in no time. When combined with the devastating cuts and massive restructuring coming from federal and provincial governments, community colleges will be hard-pressed to hold their own. Private training providers are almost totally free to function in any manner they choose. Little regulatory legislation exists to impose standards or guarantee students quality services and an end-product of value.

**Training is turned into a marketplace**

"Individualized funding" or skills, loans and grants, will greatly undermine the provision of training by community colleges. This funding mechanism is turning training into a marketplace where individuals will make their own arrangements not necessarily knowing who they are dealing with. As new private sector agencies offer their services, some of them will want to cut down on costs in order to attract more trainees and make more profit. This type of situation will lead to an absolute lack of standards leaving the beneficiaries with less than adequate training. Along with a lack of standards, trainees will run the risk of not

being prepared adequately to lead an active and productive life in today's labour market.

**Federal funding: past tense**

Federal support to training has traditionally come in two forms, one direct and one indirect. The indirect path has been through the general support to post-secondary education provided by the federal government until April 1, 1996, through the *Established Program Finance Act*. The direct support to training has consisted of direct transfers of funds to institutions and individuals from the federal government. These have taken the form of purchases of training on behalf of a certain target population by the federal government through Human Resources Development Canada.

**Government's withdrawal**

In 1996, the federal Liberals and the Minister of Human Resources Development Canada announced the intention of the federal government to withdraw from all direct involvement in labour market programs.<sup>1</sup> The government stated its intention to seek alternative service delivery models with the provinces and territories in the area of labour market activities. On May 30, 1996, the Minister of Human Resources Development Canada presented a labour market proposal to the provinces and territories to assume responsibility for the design and delivery of active employment measures and benefits outlined in the Employment Insurance Act.

**Employment Insurance Act**

The Act covers three key areas: insurance benefits; employment benefits and measures; and the delivery of services to the unemployed. All have huge implications for the way the unemployed will be treated. The two decisions with the greatest impact on education and training are: the complete withdrawal of the federal government from the Direct Purchase-of-Training and the elimination of the extended income support during training for individuals.

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<sup>1</sup>The federal government had already announced in 1995 that it was modifying to a great extent the *Established Program Finance Act*, through the Canada Health and Social Transfers (CHST).

## **Devolution to the provinces**

With the exception of direct income support to regular EI beneficiaries, all other existing federal labour market programs are currently being, or will soon be devolved to the provincial governments or third party agencies. Depending on the level of provincial interest, the federal government may maintain a partial role in the “active” employment programs and in the delivery of employment services such as counselling, screening and case management. The only areas staying with the federal government for sure are a small number of what are termed “Pan-Canadian” initiatives such as a national labour market information system, a labour market exchange infrastructure, support for sectoral councils and the Canadian Labour Force Development Board.

The provinces and territories can choose to provide any or all training and employment programs and services in their jurisdiction; the federal government will allocate funds to pay for those programs and services from the EI account.

## **Community colleges are hard hit by the government’s plan**

Community colleges are already hit by federal funding cuts. In addition, with the new system of loans and grants to individuals proposed under the EI Act, it is not clear how much federal funding, if any, the colleges will continue to receive. The phasing out of Purchase-of-Training is likely to impact on colleges through:

- Decreased demand resulting in the need to raise tuition fees to make up the funding shortfall;
- The real possibility of courses and/or programs being eliminated if the number of trainees using colleges decreases; and
- A reduced number of HRDC clients.

While funding is being taken away from community colleges, one needs to ask if private providers are effectively better for providing training.

**No value for the money and poor quality of training**

Trainees having to bring their 2X4s for a carpentry class which costs \$9000.00 as opposed to \$900.00 in a community college (the difference in the cost is explained by the fact that government pays for the operating costs of a private provider of training);

Trainees having to train with a paper template for their computer training course because of a lack of equipment;

Trainees having to attend class in a cafeteria because of overcrowding.

These are a few horror stories from trainees that received training from private providers. There's absolutely no value for the dollar here, the quality of teaching and training and the instructors are not comparable to what one could get in a community college. Community colleges instructors are required to have recognized qualifications and to meet teaching quality standards. That is not the case for private providers of training.

**No accountability and denied access to community colleges**

Private providers of training are not required to open their books contrary to community colleges. Hence, we as tax payers, have no idea how the money is spent by the privates. Spending public funds allows greater public scrutiny as well as increased public access to information and decision-making.

Skills, loans and grants which are coming through the EI Fund are available to EI beneficiaries only. With the *Employment Insurance Act* introducing new restrictions, primarily with regard to eligibility rules, this means that fewer people are going to have access to public funding. In addition, accessibility is not getting any easier for young, just out of high school students who need to go to a bank for a loan in order to get post-secondary education. As public funding decreases, access to education also decreases.

**Cutting public funding hurts everybody**

As public programs are eliminated, those in need of training or skills enhancement have to turn to publicly unaccountable private institutions that are usually more

expensive. As education becomes less affordable, people who cannot afford to pay are not allowed access to education unless they are willing to assume large debts. While student debt is partially offset by the new voucher system that purports to offer student “freedom of choice”, the new approach requires no accountability for public money.

**What community colleges offer**

Public community colleges have so much to offer as opposed to private training providers: duly qualified instructors, quality of teaching and training, value for the money, accountability and accessibility to name but a few. Community colleges instructors teach and provide training, that’s what they do best. Why should trainees risk going to a private provider when all she/he needs is right there in the community colleges?

**The National Union stands in clear opposition of the funding mechanism also known as skills, loans and grants, and maintains that public funds should remain in the public sphere**

- Governments must not directly or indirectly fund private providers;
- Public money must remain accessible to public institutions;
- Private providers must not be competing with the public sector for funding;
- Public institutions must not behave like the privates and fall into the bidding war that governments desperately want;
- Government funding must be redirected to public community colleges;
- Government funding must be used to improve information technology in community colleges;
- Government funding needs to be put in place to improve the colleges’ infrastructure.