

Job grant is small-time solution to EI's bigger problems, senator says

Diane Bellemare thinks Canadians have too easily come to accept high unemployment and an EI program that essentially lets people stay at home instead of training for a new job

BILL CURRY - OTTAWA

A Conservative senator says it's time for much bigger changes to employment insurance if Canada is going to make a serious dent in Canada's unemployment rate.

Diane Bellemare – a Quebec economist who has spent her career working on labour policy – bemoans the fact that Canadians have come to accept relatively high unemployment and an EI program that essentially lets people stay at home instead of training for a new job.

While she avoids direct criticism of the Conservative government, it's clear she is not a big fan of the the current push to get provinces to support a new Canada Job Grant.

"My point is that we should do more than that," she said in an interview. "Because to subsidize business directly for training, I'm not sure it will add training, because there's a main problem, which is the substitution effect."

Ms. Bellemare said the grant is likely to appeal to businesses that are already providing training, meaning tax dollars will simply replace existing spending by companies on training. The Senator said a similar program in Quebec was ultimately abandoned for that very reason.

Ottawa wants to launch a grant by April 1 that would offer individuals up to \$15,000 in training toward a specific job, with the cost split two thirds/one third between Ottawa and a business.

Ms. Bellemare sat down with the Globe and Mail in Ottawa Wednesday after appearing on a panel on the future of EI put on by the Institute for Research on Public Policy, where she was joined by Cliff Halliwell, a former senior federal public servant, and Gregory Thomas, federal director of the Canadian Taxpayers Federation.

One of Ms. Bellemare's main criticisms with EI is that the program is out of balance. She notes that Ottawa spent \$15.3-billion in 2012 on passive EI programs (<http://www.osfi-bsif.gc.ca/Eng/oqa-bac/ar-ra/ei-ae/Pages/EI2014.aspx#table7>) (called

EI part one) that are essentially income support during a job hunt and only \$2.1-billion on active EI programs (called EI part two) that are tied to some form of job training.

She argues Canada is spending far less on “active” training programs than the average of the 34 countries in the Organisation for Economic Co-Operation and Development.

“That’s why I propose to abolish part one and part two so we can activate the passive measures instead of letting people be at home receiving unemployment insurance,” she said. “Those people should be in an activity to protect their potential.”

Mr. Thomas of the taxpayers federation pointed out that Ottawa spends \$1.8-billion a year just to administer the EI program. The federation argues (<http://taxpayer.com/media/EI%20per%20cent20ReportCTFNov2013.pdf>) that’s an example of government waste and that Canadians would be better served by individual saving accounts that could be used during a period of unemployment or put toward retirement if the money is never needed.

Federal Employment Minister Jason Kenney, the minister responsible for EI, currently has his hands full with the job grant. He’s trying to get the provinces to sign on over the coming weeks. But provinces object to the fact that Ottawa’s plan involves a \$300-million cut in transfers for training programs the provinces currently deliver.

Should Mr. Kenney succeed, there are signs that bigger changes will follow. The October Throne Speech said the government would work with the provinces “on a new generation of labour market agreements,” but no further details have been released.

Mr. Halliwell, a former director-general of policy research at the department Mr. Kenney now heads, said the minister’s track record makes him “somewhat optimistic” that reforms will happen. Mr. Halliwell said he found Mr. Kenney to be a minister who – in his previous post at immigration – made decisions based on evidence.

“The claims that this a government that doesn’t make use of research, I didn’t see that to be the case in a lot of the changes I saw in immigration policy,” he said.

Still, Mr. Halliwell said the window is closing for big policy moves given that an election is on the horizon.

“You’ve kind of got two years to do it,” he said. “But you certainly do have to start it now.”

Bill Curry covers finance in Ottawa.

2014 All material Copyright (c) Bell Globemedia Publishing Inc. and its licensors. All rights reserved.