
Backgrounder

Training for the New Economy

This report is about preparing Canadians for the "new economy." In this economy, characterized by rapid technological change and knowledge-intensive activities, human resource development is assuming an increasingly pivotal role. The report argues that, to fully participate in the new economy, individuals not only need a strong basic education but also an opportunity to upgrade and extend their skills throughout their adult lives. It shows that now access to these learning opportunities is very uneven, with well-educated and already skilled Canadians benefiting far more than their less-educated counterparts. Thus, training patterns are exacerbating polarization tendencies, with a segment of the adult population at risk of increasing marginalization because of a worsening skills deficit.

The report presents a roadmap for moving towards a system that is more effective and more equitable. It argues that the way forward lies in enhancing the training "market" that has evolved over the past decade. The foundation of this market is represented by the dynamic training suppliers that have emerged as a result of public policy decisions made during the 1980s and 1990s. However, a range of barriers currently inhibit the ability of Canadians and firms to fully exploit the training opportunities that now exist. Governments and a diversity of "stakeholder" organizations need to work together to address these obstacles and improve the operation of the training market.

The report synthesizes the results of a major Canadian Policy Research Networks project which has addressed three questions:

1. What employment patterns and skill requirements characterize the new economy?
2. What are the implications of these trends for human capital investment?
3. What should individuals, employers, and governments be doing to ensure that Canadians are prepared for, and benefit from, employment in the new economy?

The "New Economy" Labour Market

Over the past two decades, a shift has taken place in the structure of employment, away from the manufacturing sector and blue-collar jobs to the service sector and white-collar jobs. The overall

effect has been an "upskilling," with a growing share of employment in highly-skilled, knowledge-intensive jobs. There are still low-skill jobs but they are declining in relative terms and the competition for them has intensified. *As a result, the stakes for not only basic education but also access to training have been increasing.*

There have also been changes in labour force participation patterns over the past couple of decades. More women are working; young people have increasingly looked for employment opportunities even while still in school; and the employment patterns of older Canadians have also been shifting. In the process, the traditional life-cycle stages of schooling, employment, and retirement have become blurred. *As a result, formal learning has truly become a lifelong requirement and, because it is now often pursued in conjunction with other activities, training delivery must be flexible.*

Finally, employment relationships have become more diversified as traditional full-time, ongoing jobs now share the stage with a range of nonstandard and self-employment forms. Canadians in these employment relationships, as well as the growing numbers who are working in small firms, typically do not have access to workplace-sponsored training. *As a consequence, growing numbers of individuals have little choice but to accept the responsibility for ensuring they have the skills to navigate in the labour market.*

Training Participation Patterns

Against these standards, how well are we doing? The evidence does suggest that many Canadians are responding to the knowledge and skill challenges of the new economy. It is notable that enrolment rates in post-secondary education have been at historically high levels. There are also large numbers of adults pursuing education and training activities. However, these patterns are very uneven. Participation in adult education and training increases with income and education and is highest for those with strong literacy skills. And, where training is employer-sponsored, it focuses on full-time employees, on those with long tenure, and on prime-age workers.

The distribution of training is also uneven across the business sector. Many firms, especially small ones, rarely make any formal investment in training and their employees therefore tend not to have access to employer-sponsored training. Only a very small proportion of Canadian companies overall see themselves as *learning organizations* wherein continuous learning is regarded as an integral part of the workplace and an essential business strategy.

The evidence does show clear positive impacts from training. While it may not make sense for all firms to invest in formal training, there is a significant association between training activity and organizational performance. For employees, training is associated with a range of advantages including higher wages, increased job satisfaction, and a stronger perception of employability.

Who is left out? Low-skilled workers, workers with less education, low-income individuals, those working part-time, employees of small firms, and those without a long-term attachment to a single employer.

Thus, the distribution of training, especially employer-sponsored training, closely parallels the distribution of human capital that already exists, reinforcing tendencies toward polarization in the labour market.

A Training Market for the New Economy

Fifteen years ago, we could talk about a training "system" in Canada that was largely driven by governments. Now, as the cumulative result of a series of public policy decisions, we have a training "market" where commercial trainers, equipment vendors, non-profit organizations, and a variety of stakeholder councils have joined publicly-funded institutions in supplying training. These providers offer a host of opportunities to the workers and firms that need training. However, there will need to be changes in practices and policies, as well as in institutions, if these players are going to come together in an effective training market.

The report identifies five objectives to pursue:

- *broadening access* to formal learning opportunities through innovative financing;
- creating genuine opportunities for time out for *lifelong* learning,
- offering *flexibility* to enable people to combine learning with other activities;
- *signalling* more clearly what people know and what employers require; and
- *clarifying the benefits* of, and *strengthening the incentives* for, formal learning.

Achieving these objectives is not simply government's responsibility. Key roles must be played by "intermediaries" such as sector councils, labour force development boards, community councils, unions, and employment agencies. These intermediaries should be thought of as brokers that help information flow more efficiently and foster collaboration between training providers, firms, and individuals. Over time, as the training market matures, we can expect new forms of this brokering activity to emerge.

Effective intermediaries can lessen the need for direct government intervention and, indeed, they can often work with governments to confront problems that the training market cannot work out by itself. However, governments in their own right have important functions in this emerging market. They will be less important as direct providers of training through programs and financing. Instead, they must focus on the following roles:

- To provide basic education which is the essential foundation for a highly skilled workforce;
- To support better information flows, including:
 - basic labour market information;
 - occupational and training standards;
 - employer certification and accounting tools;
- To create better credit tools that improve the access of adults to formal learning opportunities;
- To broker collaborative relationships between industry and education and training providers; and
- To facilitate the labour market entry of youth.

The report offers suggestions for a number of new approaches that are worth evaluating as possible ways of addressing emerging training needs. Examples of ideas that could be explored include: using EI contributions to allow workers to accumulate training credits; establishing a system of savings accounts, like Individual Development Accounts, that individuals could use to financing

training; establishing "registered training plans;" and developing instruments like Canada Student Loans, that would allow adults to participate in training. All of these ideas require careful feasibility work, but they are put forward as a means of illustrating the kinds of savings, grants, credits, and borrowing instruments that could be made available to workers and especially to low income Canadians in order to give them the tools they need to invest in their own skills development.

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