

THE WORKFORCE ONTARIO NEEDS NOW: HOW TO STRENGTHEN SKILLS DEVELOPMENT

Kelly Pasolli and Karen Myers

Issue

The nature of work in Ontario is changing rapidly – from technological innovations, demographic shifts and environmental disruptions. As Ontarians adapt, the skills development ecosystem is under increased pressure on two fronts: first, to help people facing labour market disruptions and cycles of unemployment or underemployment, and second, to help businesses and organizations access talent with the skills needed to succeed.

The COVID-19 pandemic has accelerated these challenges. To help build the resilience of individuals and businesses as they prepare for the future of work, the next provincial government needs to strengthen the design and delivery of skills development in Ontario.

Overview

Ontario's economy and labour market are in a state of shock and transition

COVID-19 created a significant shock to Ontario's labour market. At the peak of the pandemic, Ontario's [unemployment rate](#) reached 13.6%, with one million people out of work in May 2020. This crisis disproportionately impacted [certain workers](#) more than others, including, youth, women, and service sector employees. Many people who are [newcomers or visible minorities](#) were overrepresented in jobs most affected by the pandemic, compounding pre-existing financial and employment inequities. While employment has been on the rise since the height of the pandemic, the long-term impacts of the crisis on workers and job displacement [remain uncertain](#).

What's more, the pandemic surfaced and amplified existing trends and transformations affecting the [future of work](#) in Ontario. [Job polarization](#) is on the rise, while [digital transitions](#) are poised to erode many jobs, expand the gig economy, and increase telework. At the same time, shifting demographics and environmental changes are causing additional disruptions to Ontario's economy and workforce.

Ontarians are facing new opportunities and challenges that require new skills

These rapid and evolving transformations mean that workers and organizations are increasingly in need of new skills. Many sectors are already facing talent gaps, with [64% of Canadian entrepreneurs](#) reporting that labour shortages are limiting their growth. Yet, workers in other sectors are facing high levels of unemployment and many individuals are keen to transition to new roles, with [43% of working Canadians](#) reporting that they will likely look for a new job in the coming year.

It's clear that employers are struggling to find the right talent at the same time that people are struggling to find the right opportunities. These conflicting trends are indicative of a broader [skills mismatch](#) in Ontario. The size of this mismatch can have an enormous economic impact - the Conference Board of Canada estimates that the [unrealized value of skills vacancies](#) in the Canadian economy hit \$25 billion in 2020.

Ontario's skills development ecosystem needs to deliver

Ontario needs a robust and responsive skills development ecosystem that helps people enter meaningful jobs, advance in their chosen careers, and transition to new occupations when needed.

As it stands, Ontario's skills development ecosystem is not ready. In general, Canada is a leader in providing high-quality K-12 and post-secondary education, but has been a [laggard in workplace training and lifelong learning](#). Skills training and supports for adults generally have restrictive eligibility requirements and are difficult to navigate – especially for those who are currently working and likely facing labour market disruption. At the same time, the array of different education and training options available is becoming increasingly [diverse, fragmented, and complex](#).

New challenges require a system that is much better able to support Ontarians by providing ongoing, flexible education and training that helps them navigate the changing labour market. **Table 1** provides an overview of the key components of Ontario's skills development ecosystem beyond grade 12, and **Table 2** provides the 2021-22 spending estimates for a sample of these programs. The numbers highlight the [difference in resources](#) allocated to traditional education versus programs that target working-age adults for skills training and lifelong learning. In 2021-22, Ontario budgeted much more towards postsecondary education and apprenticeships than the combined budgets for Second Career, Employment Ontario, and the Ontario Skills Development Fund – more than six times as much. Building a skills development system that meets the needs of working Ontarians will require investments in programming outside of the post-secondary system as well as continued innovation within it.

Table 1: Overview of Ontario's skills development ecosystem

Type of support	Description
<p>Postsecondary education</p>	<p>Postsecondary education includes public universities and colleges, and registered private career colleges. Most credentials under these institutions are approved under the Ontario Qualifications Framework, which includes the main purposes and features of each program.</p> <p>Postsecondary education faces pressure to become more responsive to the labour market and better support lifelong learning. As a result, a number of innovations have emerged within the system. Government has adopted a performance-based funding model focused on student and economic outcomes, and institutions are working to update offerings, including for new micro-credentials.</p>
<p>Apprenticeships</p>	<p>Registered apprenticeships provide on-the-job and classroom training for skilled trades and are delivered through public colleges, unions, and trade associations. These program certificates are recognized under the Ontario Qualifications Program, with a select group of trades also designated under the national Red Seal Program. There have been efforts recently to simplify the skilled trades and apprenticeship system, and a new Crown Agency, Skilled Trades Ontario, has been established.</p>
<p>Adult learning</p>	<p>A number of adult-specific programs for lifelong learning and skills development are delivered through school boards, community agencies, and colleges. These include the Ontario Literacy and Basic Skills (LBS) program, which helps adults develop the foundational skills needed for employment, education, and independence.</p> <p>There are also a number of programs for newcomers like the Ontario Bridge Training Program (OBTP), which helps facilitate entry into careers for which immigrants have already been trained.</p>
<p>Employer-led training</p>	<p>Some employers provide training to advance the skills of employees based on organizational needs. Since 2014, the Canada-Ontario Job Grant program has provided employers with funding for these types of programs. Depending on the size of the organization, employers must pay between half and one-sixth of total training costs and can receive up to \$10,000 for an employee's training.</p>

Type of support	Description
Employment Ontario	<p>Employment Ontario includes a number of programs and partners that support skills development, including employment services and Second Career. Ontario's employment services are undergoing a three-part transformation into a new service delivery model. First, all employment services are being integrated, including employment services for social assistance recipients. Second, revised service catchments are being introduced and will be overseen by service system managers (SSMs). SSMs, responsible for oversight, will be selected through a competitive process open to public, private, and not-for-profit organizations. Third, a portion of funding for services will be based on performance.</p> <p>Second Career is a program that provides financial support and training to Ontario workers who have been laid off. Workers can receive up to \$28,000 for education and living expenses as they train for a new career, with additional funding potentially available for disability-related supports and child care. The program now prioritizes individuals laid off because of COVID-19. It is also expanding to gig and self-employed workers, and individuals with limited work experience.</p>
Ontario Jobs Training Tax Credit	<p>The Ontario Jobs Training Tax Credit is an income tax credit for workers who have paid for training to enable a career shift, to re-train, or to improve their skills. It can cover occupational skills courses, exam fees, and postsecondary education fees. The credit covers 50% of expenses (up to \$2,000 a year), and can be used alongside the similar Canada Training Credit.</p>
Pilot projects and innovation funds	<p>There are a number of ongoing pilots and projects to support workforce development in Ontario. The SkillsAdvance Ontario pilot provides sector-specific training for low and medium-skilled roles, connects workers and employers in key sectors, and supports employment and training services for employers.</p> <p>The Ontario Skills Development Fund supports organizations that deliver projects related to hiring and training workers, in part to support recovery from the COVID-19 pandemic.</p> <p>Ontario also has a micro-credentials strategy that includes a micro-credentials online portal, eligibility for student loans, and the Ontario Micro-credentials Challenge Fund, which is supporting postsecondary institutions with funding to develop or improve micro-credential programs.</p>

Table 2: Ontario's 2021-22 spending estimates in key areas

Education programs	2021-22 spending estimates
Postsecondary education	\$10.7 billion
Apprenticeships (Skilled Trades Strategy)	\$288 million
Education programs total	\$10.99 billion
Adult skills training and employment supports (select list of programs)	2021-22 spending estimates
Employment Ontario (inclusive of Second Career, at \$82.4 million)	\$1.64 billion
Ontario Skills Development Fund	\$85 million
Adult skills training programs total	\$1.73 billion

Challenges

There is a lack of services and supports for individuals facing labour market disruption

Employment services are available to employed Ontarians as well as those who are unemployed, but in practice the services offered are rarely designed to help already-employed people with career management or for achieving long-term goals. Employment Ontario services are primarily focused on helping individuals without work to find a new job quickly. This “fail-first” approach means that working-age adults primarily access employment services or career supports when they are already in a state of crisis.

In the face of ongoing labour market disruptions, this is a critical gap. Many people who are currently working will be looking to transition into new jobs, careers, and sectors in the coming years. More needs to be done to proactively plan for these transitions and provide workers with the information, training and supports they will need to navigate these changes – *before* they are already experiencing the precarity and stress that comes with unemployment. With the right supports in place to help people “smooth” their career transitions, Ontario will be better positioned to meet skills gaps in the labour market and to ensure that businesses have the talent they need to prosper.

Employment service changes may leave high-needs clients behind

The ongoing transformation of Ontario’s employment services is designed to make the system more efficient, integrated, and effective. By tying a portion of funding to achievement of employment outcomes, the transformation incentivizes employment service providers to focus on helping people find jobs. Providers receive larger incentives for employment outcomes achieved by highly-barriered clients but stakeholders have expressed concern that the singular emphasis on employment outcomes could lead to ongoing gaps for clients with the highest barriers. These clients often need additional or adjusted supports to make meaningful progress in their journey to a job. They have pointed out that the system promotes “skimming”. It incentivizes providers to [deliver core service offerings focused on achieving employment outcomes](#), rather than the full suite of services and supports that help individuals with different levels of job readiness.

Financial assistance for training is fragmented and difficult to access

The expansion of Second Career to gig and self-employed workers is a positive step in providing financial assistance to more Ontarians to help them access training. Yet important gaps remain for people seeking to proactively avoid lay-off by investing in their skills and lifelong learning. For instance, Second Career eligibility is restricted to those already laid off. The Ontario Student Assistance Program (OSAP) offers only limited assistance with tuition and other costs to part-time students – even when working part-time is likely the only feasible way that those currently in the labour force can pursue post-secondary training to upgrade their skills. Even the new Ontario Jobs Tax Credit [restricts eligibility to conventional educational institutions](#), meaning individuals are unable to use the credit towards training offered by other types of providers.

Taken together, this means that there are many people in Ontario who could benefit from more support to pursue skills upgrading and lifelong learning but are unable to access that support.

The federal government also provides financial assistance for training, such as through the Canada Training Benefit. However, these programs have distinct eligibility requirements and parameters – and there is little guidance available to Ontarians to understand and navigate these different supports, or how they might interact with provincial programs.

Increased momentum around micro-credentials needs to be channeled into clear skills pathways

Micro-credentials are increasingly popular and an important topic in the public conversation about skills and the future of work. While the definition of micro-credentials is debated, in general they are understood to be certification awarded for learning specific skills or competencies. Ontario has committed nearly \$60 million to develop a micro-credential strategy, including a challenge fund to support development of innovative micro-credentials at post-secondary institutions.

Micro-credentials hold promise as a tool for flexible, timely and responsive skills development that facilitates lifelong learning and skills upgrading. But there are many important design decisions that affect how micro-credentials operate – including whether micro-credentials award credits towards diploma or degree programs (stackability) and whether they are recognized by multiple education providers (portability). Without attention to these features, micro-credentials could cease to be a coherent lever within the skills ecosystem, and simply become another way to describe the short, one-and-done, job-focused skills interventions already delivered by many training providers, including colleges.

Recommendations

SHORT-TERM

Invest in an evidence-informed intervention for clients with job readiness challenges

To address the risk that the transformation of Employment Ontario employment services does not meet the needs of clients with job readiness challenges, the next provincial government should invest in an evidence-informed intervention designed specifically to help this client segment. [*In Motion & Momentum+*](#) is an action-oriented program that supports individuals with pre-employability needs, using a strengths-based, values-driven approach. The program, designed by the [Canadian Career Development Foundation](#), was originally implemented in New Brunswick to address client recidivism for social assistance recipients. The evidence to date is [highly promising](#) and a pan-Canadian comparison study funded by the [Future Skills Centre](#) and led by [Blueprint](#) is underway.

We recommend that the Ontario government partner with interested Service System Managers and/or individual service providers to pilot test *In Motion & Momentum+* as part of the employment services transformation. The learnings from this pilot could inform a broader roll-out across Ontario. Investing in IM&M+ addresses an important gap in the services and supports needed to help individuals with job readiness challenges, and could be seamlessly integrated into the funding model for the new system, given the [higher amounts of operational funding and performance incentives available for higher-needs clients](#).

Target skills development innovation funding to support workers at risk of disruption

Ontario's skills development system is not designed to meet the needs of workers at risk of disruption. This is a common challenge across Canada and in other jurisdictions, highlighting the need for innovative approaches to address the impacts of automation, gig work, and big labour market changes. We recommend that the Ontario government invest in targeted skills development innovation funding to build new partnerships and solutions that help workers at risk of labour market disruption.

The Ontario Skills Development Fund provides a useful framework for funding targeted skills development innovations – the government has already identified solutions for workers at risk of layoff as one of the core areas of investment. We propose explicitly prioritizing this criterion in future innovation funding decisions, encouraging actors in the skills development ecosystem to work together to design and test new career guidance and skills development solutions for workers at risk of disruption. This targeted approach will not only help more workers, it will create opportunities for more connections and cross-learning projects, and generate policy relevant insights to shape the government's approach to programming in the future.

LONG-TERM

Build on the increased interest in micro-credentials to create a robust framework

Micro-credentials are an exciting prospect for policymakers: they can offer affordable, industry-focused, practical, short-term training. But without a robust framework to support the design and delivery of micro-credentials, they could cease to hold much meaning beyond merely confirming that individuals have completed some type of short-term, job-focused training. If micro-credentials are not stackable – meaning they don't connect to other certificate, diploma or degree programs – and if they are not portable across companies or industries, [their impact will be limited](#).

Ontario should consider building a more robust micro-credential framework that helps individuals pursuing micro-credentials to progressively build on and demonstrate their skills to different employers, industries, and training providers. We recommend that the government look to the framework established by New Zealand. New Zealand has

introduced a centralized micro-credential framework that guides all educational bodies in the country and includes a quality assurance system for ensuring that micro-credentials are relevant and meeting objectives. The micro-credential framework could build on Ontario's existing qualifications framework, which provides clear, transparent standards around knowledge, skills and learning outcomes tied to existing post-secondary credentials.

Explore new forms of financial assistance that support lifelong learning

Second Career, OSAP, and the Ontario Jobs Training Tax Credit all offer some assistance to Ontarians to pursue lifelong learning. But eligibility restrictions and funding caps limit their impact. Taken together, the current suite of programs does not meet the needs of Ontario workers who require access to lifelong learning opportunities. The Ontario government should design and pilot new forms of financial assistance that support people to pursue upskilling and reskilling opportunities throughout their career, helping them proactively prepare for a changing labour market. This could include new forms of financial assistance such as [individual learning accounts](#), and/or testing enhancements and expanded eligibility requirements for existing programs.

Introduce a stronger career and skills guidance approach to employment services

As mentioned previously, Ontario's employment services are largely oriented to helping those who are already unemployed to re-enter the labour market. This approach no longer fits the needs of a dynamic labour market characterized by frequent disruptions and non-linear career paths. The Ontario economy is already facing important challenges from not having the right individuals in the right jobs. At the same time, the education and training marketplace is becoming more and more fragmented and difficult to navigate.

Finding new ways to equip employment services providers to guide people through this complex landscape is a critical action area for the next provincial government. Employment services are an important means to reach more individuals dealing with challenges navigating their career – whether they are currently working or not.

We recommend that the government start investing in strategies to better equip the employment services system to help all individuals and employers navigate the rapidly changing labour market. In practical terms, this means investments in new training and professional development opportunities for career service practitioners, to build their expertise and to pilot innovative service models focused on delivering high-quality, hands-on career guidance for individuals and businesses.

Karen Myers is the founder and CEO of Blueprint, an organization that works with policymakers and practitioners to create and use evidence to solve complex policy challenges.

Kelly Pasolli is a Senior Advisor at Blueprint with expertise in evidence-informed policy, skills and workforce development.