Relations industrielles
Industrial Relations

A Comment on Roy J. Adams' Proposal for a Training Levy Scheme

Ross Martin et Errol Black

Volume 36, numéro 2, 1981

URI : https://id.erudit.org/iderudit/029160ar
DOI : https://doi.org/10.7202/029160ar

Aller au sommaire du numéro

Éditeur(s)

Département des relations industrielles de l'Université Laval

ISSN

0034-379X (imprimé)
1703-8138 (numérique)

Découvrir la revue

Citer cet article

Martin, R. & Black, E. (1981). A Comment on Roy J. Adams' Proposal for a Training Levy Scheme. *Relations industrielles / Industrial Relations*, *36*(2), 414–417. https://doi.org/10.7202/029160ar

Roy J. Adams' Proposal for a Training Levy Scheme

Ross MARTIN
and
Errol BLACK

Roy J. Adams' proposal for a training levy scheme for Canada is very timely[1], coming as it does at a time when we face the paradoxical situation of relatively high unemployment co-existing with apparent shortages in skilled occupations. In September, 1980, the Brandon and District Labour Council proposed a similar scheme in a brief presented to the federal government Employment Opportunities for the 80's Task Force, chaired by Warren Allmand[2]. The two proposals are similar in many respects, but there are also some important differences which we believe merit discussion.

THE CONTEXT FOR A TRAINING LEVY SCHEME

To begin with, Adams neglects to situate the role of training in the broader context of the current problems facing the Canadian economy. Briefly summarized, his analysis is as follows. Existing training arrangements in Canada are inadequate. To correct these inadequacies and increase the output of trained manpower, new arrangements should be instituted. Of the proposals currently on the agenda, the one which holds out the most promise both on equity and efficiency grounds is some form of training levy scheme. Introduction of such a scheme, even on a very modest basis, would yield many benefits, among them: an increase in the quality of job opportunities available to women, teenagers and other individuals caught in dead end jobs; an increase in the supply of skilled craftsmen; and rising productivity.

We do not share Adams' optimism that a training levy scheme, or any other training scheme, will, of and in itself, lead to the results he predicts. Indeed, in the absence of other, prior, institutional changes we doubt that a training levy scheme would have very much impact at all. This becomes evident if the "unemployment-shortage of skilled workers" paradox is confronted head on.

The overall trend in unemployment in Canada over the last 20 years has been upwards. Thus, for the three periods 1962-69, 1972-79 and 1976-79 the official aggregate rates of unemployment were 4.5, 6.8 and 7.8 percent, respectively[3]. Our analysis suggests that this trend is attributable to two

* MARTIN, Ross and Errol BLACK, Brandon & District Labour Council.

1 ADAMS, Roy J., "Towards a More Competent Labour Force: A Training Levy Scheme for Canada," *Relations Industrielles,* volume 35, number 3, 1980.

2 "Brandon and District Labour Council Position Paper on Employment and Training."

3 Department of Finance, Ottawa, *Economic Review*, April, 1974 and April, 1980.

main factors, namely, structural changes in the economy which have led to the displacement of workers, and the failure of aggregate spending to grow at a rate sufficient to provide jobs for an expanding work force.

In theory, the government has the capacity to regulate the rate of growth in the economy, so as to ensure that sufficient jobs are available to both displaced workers and new workers coming into the labour market. In practice, the government has failed to develop policies which would permit this objective to be achieved. As we see it, the main problem with government policy in Canada is that it is predicated on the assumption that government's role in the economy is a residual one; specifically, government policies are intended to create an environment favourable to private sector investment. This role is not, of course, a trivial one. On the contrary, government attempts to create such an environment have led to an expanded and more sophisticated role for the public sector in the economy.

The point is, however, that this assumption ignores one of the main lessons we learned — or should have learned — from the Great Depression: we cannot rely on market forces and private investment decisions to achieve social objectives. So long as the basic decisions on investment spending are vested in private individuals — firms, it is impossible for government to ensure that the timing and volume of investment spending will be compatible with the requirements of the economy and population. Moreover, along with the problem of regulating the timing and volume of investment, there are also the questions of its composition — for example, manufacturing vs. services — and its regional disposition.

In our view, the unemployment problem will persist in this country until we develop new institutional mechanisms for regulating investment spending, mechanisms which involve the replacement of market forces and private control of investment spending by planning and collective control.

The explanation for the apparent shortage of skilled/trained manpower has its origins in the same phenomenon which underlies the high level of unemployment; the initiative for the bulk of the training undertaken in the economy is left to private sector initiative. This has several important implications. First, private sector firms will provide only that training which serves their immediate interests and enhances profitability. This means that the bulk of organized training provided in the private sector tends to be firm-specific or industry-specific. Consequently, the skills acquired through such training are not fully transportable to other firms and industries. Secondly, training tends to be cyclical in nature. Thus, during a downturn in the economy — or a period of stagnation — training programmes are curtailed and trainees laid off. Then during the upturn there are insufficient skilled workers to meet manpower requirements. And thirdly, firms will only undertake training if it is less costly than other options, such as raiding the workforces of other companies and immigration. Even then, they will seek to have the government underwrite the costs of the training.

Here again the conclusion we reach is that shortages of skilled workers are attributable to our reliance on the private sector. The solution is the same: more public sector control and planning. With greater planning and control over investment spending, we will be able to generate jobs when

they are required and in the industries and regions where they are required. At the same time, our ability to forecast manpower requirements and adjust training programs accordingly will be much enhanced.

Without the capacity to control and plan, new innovations in training arrangements will come to naught.

THE DETAILS OF THE SCHEME

The main difference in the details of our proposal and that of Adams lies in the treatment of provinces and the definition of a role for trade unions. On the question of tying in the provinces, Adams simply says that it would be desirable to have joint action by the federal and provincial governments[4]. In contrast, we would argue that the federal government should impose the levy — which we proposed be one percent of payroll, and then allocate the funds to the provinces on the basis of the proportion of the total Canadian workforce located in the province. (For example, Manitoba, which has approximately 4.0 percent of the total Canadian workforce, would receive 4.0 percent of the total training fund.)

Moreover, the mechanism for screening applications and approving projects should be decentralized. In our brief, we proposed the creation of a screening board in each province comprised of three trade union representatives, two employer representatives and one representative from each of the federal and provincial governments.

This approach would, we believe, ensure the co-operation of most provincial governments.

On the question of the role for trade unions in a training levy scheme, Adams argues that their input should be restricted to the collective bargaining process on the grounds that we should avoid imposing constraints on employers. We reject this argument. Indeed, in our brief we proposed that one of the criteria that should be imposed on the provincial screening bodies in the assessment of projects is that applications from unionized firms should not be considered unless they have the approval of the union. The justification for this is that we believe training should be related to the long-term needs of workers and Canadian society, not the immediate needs of capital. That trade unions, as representatives of workers, are better placed to assess such needs than the custodians of capital should be obvious. Capital is mobile and has but a single interest, namely, earning profits. Workers, in contrast, are immobile; here for the duration. Consequently, they are obliged to consider the interests of society; indeed, they are society. The record of the trade unions in fighting for reforms beneficial to past, current and coming generations of workers speaks for itself.

---

4 Incidentally, in 1974, George BAIN, at that time Director of the Industrial Relations Research Unit in Coventry, England, was commissioned to review training programs in Manitoba and come up with proposals for innovations. He recommended the introduction of a levy-grant scheme similar to the Brisith one. "Industrial Training, The Disadvantaged and the Private Sector", September, 1974.

CONCLUDING COMMENT

In conclusion, we would simply say that this comment is not intended to denigrate the proposal put forward by Roy J. Adams, but rather to expand on it and clarify some of the issues involved. We trust that Adams' piece and our comment will stimulate some fruitful debate on the questions of employment and training in the Canadian economy.