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June 24, 2019

The Honourable Patricia Hajdu, P.C., M.P.
Minister of Employment, Workforce Development, and Labour
Office of the Minister
Employment, Workforce Development, and Labour
140 Promenade Du Portage
Phase IV, 12th Floor
Gatineau, QC K1A 0J9

Via email: Patty.Hajdu@hrsdc-rhdcc.gc.ca

Re: Recommendations to Develop and Refine the Proposed Canada Training Benefit

Dear Minister Hadju,

The Canadian Payroll Association (CPA) thanks Economic and Social Development Canada (ESDC) for providing employer groups with the opportunity to provide feedback on the proposed Canada Training Benefit (CTB) and Employment Insurance (EI) Small Business Premium Rebate. We were pleased to attend ESDC's employer consultation held on May 30, and firmly believe that the Federal Government must continue to engage in meaningful consultations before rushing in to develop a CBT under the proposed guidelines.

The CPA appreciates that the CTB was created with the intention of facilitating lifelong learning for workers in a labour market which is increasingly demanding that workers continually retrain throughout their careers. However, we maintain that the current approach introduces unnecessary risks which threaten to offset any productivity gains produced by increased uptake in training by undermining employers' operational capacities. Additionally, and according to our 2018 National Payroll Week research, 44% of working Canadians are living paycheque to paycheque and would not be able to afford to take time off without pay for training because EI benefits would not be sufficient to meet their financial needs.

Consequently, **our primary recommendation** is to engage in a fundamental overhaul of the CTB to align more with Quebec's *Act To Promote Workforce Skills Development and Recognition* which lowers mandatory payroll tax contributions for employers that have invested sufficient resources towards eligible training endeavours.

Promoting employer-provided training through reduced EI premiums is preferable to the current iteration of the CTB because it leverages and respects employers' vital knowledge on the most effective training practices and programs within their industries. Quebec's model also avoids the use of legislated leaves which impairs employers' capacity to sustain regular operations, particularly in the case of small or seasonal businesses. While we acknowledge that the EI Small Business Premium Rebate represents an attempt to support small businesses in mitigating the cost of upward pressure on EI premiums, the rebate does not offset the enormous productivity costs associated with the leave component. By comparison, Quebec's model

excludes businesses with payrolls under \$2 million from the program – automatically shielding small businesses from the costs associated with the policy.

We urge the government to refrain from rushing in the CTB as it stands and to consider implementing a less burdensome program similar to the existing model in Quebec resulting in lower employer EI premiums for training of employees. However, if the government decides to go ahead with the current proposed CTB model in some form, we offer the following recommendations aimed at mitigating some of the harmful consequences that this program will likely bring about.

Recommendations

1. ESDC should implement a counselling program in conjunction with the CTB in order to utilize the government's expertise on labour trends.

We agree that preparing Canadians for the changing nature of work is of utmost importance for sustaining and improving Canada's vibrant economy. However, allowing workers to unilaterally choose the skills in which they will train without offering or mandating that employees receive guidance from either employers or government could potentially aggravate the existing mismatch of jobs and skills.

Considering that the Government of Canada is actively involved in cutting edge research into labour trends, we advise the government to utilize this research to guide workers who take advantage of the CTB by offering them career counselling. Counselling should be oriented towards informing employees of the skills which are in demand currently or projected to be in demand in the near future and, on that basis, determining which training programs would match the employee's existing skills and aptitudes with current and future skill deficits.

2. ESDC should provide accessible documentation on the conditions under which an employee is entitled to take leave under the CTB.

If employers are left unsure as to whether an employee meets the eligibility requirements to take leave, they may either disallow an employee to take leave who is eligible or allow an employee to take leave when they are in fact ineligible. In the former case, the employer may be made subject to penalties for non-compliance, which would arise more as a result of a lack of available information rather than any negligence or malfeasance on the part of the employer. In the latter case, an employee could be faced with an unpaid leave while the employer may lose productivity and be forced to take on unnecessary and unjustified administration and labour costs.

3. To leverage employers' knowledge of employable skills, a successful application for leave should be predicated on/preceded by a formal mutual agreement on the training program in which the employee will register.

The impacts this proposed program will have on the work force and economy will depend on whether the skills gained through training correspond with the skills which are currently in the demand or which will be in demand sometime in the future. Employers are well positioned to help ensure that training which is undertaken as a result of this program is directed towards ameliorating both current and future skills deficits because:

a) Employers are invested in understanding/anticipating current and future skill requirements. Employers have an interest in developing and applying their capacity to recognize which skills and attributes best fit the positions for which they are currently recruiting. In order to adequately plan for future labour needs, it is also in the interest of employers to actively research innovations along the production line within their respective industries and predict the need for any new roles or competencies.

b) Employers have intimate knowledge of their employees' occupational talents and potential. Employees would benefit from supplementing their understanding of their own strengths and potential with that of their employers.

c) Most job training is conducted either on site or through an employer's coordination. As such, employers are knowledgeable as to the most urgent training needs and the most effective training programs with respect to their own industries and operations.

Predicating eligibility for leave on a successful employer-employee consultation regarding which training program the employee will enter would recast the leave provisions from the perspective of employers from a mostly unmitigated loss of labour power and administrative resources to an investment into both their employees and their business.

4. Employees should become eligible to take leave under the CTB only after working with the same employer over the course of a qualification period lasting at least six continuous months.

Should training leave policy be enacted without including a qualification period, employers run the risk that new employees will have only joined their organization to become eligible for the CTB. Including a qualification period of six months will ensure that employees do not take advantage of employers in this way and that employers will be reasonably assured that new employees are committed to their role within the organization.

5. Employees should be required to provide employers with six months' notice of their intention to take training leave.

Preparing for an employee to take leave requires a significant amount of work: replacements may have to be found and those replacements will have to be trained, on-boarded, and integrated into HR and payroll systems. If the employer opts not to replace the employee then they must reorganize their workforce to mitigate the gap left by the employee on leave, work with the employee to document their tasks and work methods in order to prepare those who will have to assume their responsibilities (including handling their contacts or clients), and the employees left behind may be subject to added strain regardless of whether a replacement is found. This preparation takes time and if employers are not given sufficient notice to perform these tasks properly, the organization will be negatively impacted. Employees would benefit from a notice requirement as well because it would eliminate uncertainty surrounding the proper procedure concerning application for leave, and their tasks would be adequately cared for upon their return.

6. Legislated leave should be limited to two separate occasions in one calendar year.

Administrative burden and uncertainty would arise if a given employee were to take an excessive amount of non-continuous leaves in the same calendar year. As such, employees should be entitled to take leave for a maximum of two separate times per calendar year.

7. Employers in seasonal industries should be granted the discretion to alter an employee's leave schedule.

Employers in seasonal industries are particularly vulnerable to the potential negative impacts posed by the leave provisions proposed in this program because of the irregular demand for labour inherent to these industries. If one or more employee takes training leave during an organization's peak work season, the organization may suffer particularly damaging operational losses. As such, the leave provisions should grant seasonal employers with the unique discretionary power to alter the employee's leave schedule in order to change the duration of leave, determine whether the leave will be taken continuously or on particular times or days of the week, and the time frame over which the leave will take place. As such, employers should be permitted to work closely with employees to determine which training programs/sessions would accommodate both the learning objectives of the employee/employer and the fluctuating nature of the demand for labour facing the organization.

8. Employers should be entitled to reject applications for training leave if they can prove that granting certain applications for leave would result in undue hardship.

One possible eventuality after the implementation of training leave policy is the emergence of concurrent applications for leave occurring among employees within the same organization and even within the same department or work team. If an employee applies for training leave while the organization is already coping with the effect of other employees who are either already on leave or who are also applying for leave, employers' regular operations may be severely hampered.

Another similar eventuality may involve an application for leave submitted by an employee who possesses skills that are both rare (and therefore difficult to substitute) and essential to the normal continuance of an organization's regular operations. In these cases, employers should be entitled to reject leave applications which request leave within a time frame that would cause the employer undue hardship unless the employee is amenable to delaying their leave until the organization can take appropriate measures to prepare for the employee's leave.

9. Leave should be allowable in units of days.

To employers, there is a substantial difference in terms of administrative burden between employees taking leave for a couple of days as opposed to an entire week. Consequently, employees should be permitted to take leave in units of days and not only weeks. This flexibility would also accommodate employees who attend trainings such as series of one-day seminars spread out over a short-term. These sorts of programs can be just as valuable as programs that take place over the course of the same week or weeks. For leaves lasting less than one week, there should be no expectation of a Record of Employment, and the inability to qualify for EI benefits will reduce the overall strain on the EI Program.

10. Job protected leave should be for comparable jobs, not necessarily the same position.

Employers may need to fulfill a position for employees taking leave, and should therefore not be required to hold the exact same position for a returning employee, but one of comparable salary and responsibilities.

11. It should be stipulated that employees who take leave are required to remain with the same employer granting the leave for a minimum period of two years.

If this program is to be implemented in a manner that benefits both employees and employers, policy makers must formulate the leave component such that the employers are making an investment in their employees which will in turn create value for both parties. Employers should not be subjected to the fundamentally unfair risk that they are investing in training for employees who will then in short order leverage their training to secure employment with another employer. Requiring that employees who take leave stay with the employer who granted them leave will ensure that employees cannot unfairly exclude their employers from receiving benefits associated with their mutual investment. Enforcement could take the form of minimum termination of employment notice provided to employers, repayment of any training credit, or other such repercussions.

12. Eligible employees should not have to serve a waiting period for EI benefits.

Aligning with the Federal Apprenticeship policy, eligible employees should not be required to serve a 1-week waiting period before becoming entitled to EI benefits, especially since the proposed CTB supports the total 4-week leave to be broken down into shorter periods.

13. If an employer chooses to top up their employee's training credit, the top-up funds should be considered part of their Supplemental Unemployment Benefit Program (SUBP) plan.

The CPA recognizes that the CTB has the potential to generate a significant increase in workforce training rates. However, career training is often prohibitively expensive for individual employees unless they have financial support. While the financial support proposed in the form of EI benefits and the training credit goes some of the way towards making training viable for more Canadians, in many cases it will be insufficient. Under the current proposed model, eligible employees would be entitled to up to four weeks of EI benefits, payable at the standard rate of 55% of their insurable earnings, up to the prorated annual maximum. Under the training credit, it would take 20 years for a Canadian to reach their lifetime limit of \$5,000, a sum which would be insufficient to cover the costs associated with many valuable training opportunities.

In order for the CTB to make training financially viable for employees, this program will need to depend on the continuing leadership that employers have always taken with respect to training Canadian workers. ESDC should eliminate any disincentives that may dissuade employers from topping up the employee's EI benefits. Allowing employer top-ups to be covered under their (SUBP) plans would clear the way for more employers to contribute to their employees' training, making the success of the CTB more feasible.

14. If the training is related to a grade-based course and the employee does not achieve a passing grade, the employee should become ineligible for the training credit, EI support and/or the remaining duration of leave. If an employee drops out of otherwise eligible training, they should also lose their eligibility.

If employees who do not pass a grade-based course are still made eligible for training credit, there would be a high likelihood that certain individuals would abuse the program by claiming credit while intentionally disregarding their studies in order to take an unofficial job-protected holiday. Tax payers should not be required to pay for training for which the registered individual did not fully engage themselves. Further, in granting leave, employers are investing administrative and labour costs associated with either finding temporary replacement for or making do without an employee in order to facilitate an employee's skills-training. Employers should be protected from the risk associated with employees taking training leave without intending to benefit from the training in which their employers are investing.

15. Any training session which was chosen as a result of a formal mutual agreement between an employee and their employer should be rendered automatically eligible for the training credit.

Granting employees with a training credit when the training program they enter is approved by their employer, even if the training program is not administered by a certified institution recognized under T2202 reporting, would allow for a greater variety of useful trainings without necessitating that ESDC create an exhaustive list of approved training programs. In so doing, ESDC would limit its own administrative burden while granting employers and employees more flexibility while leveraging employers' knowledge of skills training. This would prevent an insufficiently narrowing in scope with respect to certain industry specific career training, and should include the acknowledgement of online courses, which particularly serves the rural community and employees who could benefit from a study-from-home program.

16. It should be explicitly stated that employer-paid and employer-provided training is not eligible to be claimed towards the Canada Training Credit (CTC).

Just as students are not eligible from claiming employer-paid education amounts, employees should be ineligible from claiming such amounts towards the CTC.

17. The cut off for funding under the EI Small Business Premium Rebate should be graduated.

An employer's needs do not radically change if their EI premiums rise from \$19,999 to \$20,000. As such, the cut off for the EI Small Business Premium Rebate should be graduated such that employers who pay above a certain amount of EI premiums (e.g., \$20,000) receive a smaller rebate than employers who pay less than \$20,000. The rebate amount should be tapered such that those who pay much more than the graduated cut off point receive less of a rebate than those who pay a small amount more than the graduated cut off point until they meet an absolute cut off point.

18. The EI Small Business Premium Rebate should be automated by the Canada Revenue Agency based on the employer's EI premiums as per end of year filing, with rebates issued in the form of cheques or direct deposits similar to the Small Business Job Credit rather than as remittance credits.

The CPA appreciates that the Small Business Job Credit is currently administered to all eligible organizations automatically. The government should use a similar allocation scheme for the proposed EI Premium Rebate for Small Businesses. Small businesses often do not have the financial, informational, or labour resources required to keep abreast of the complex array of policies directed at their operations, even where a policy entitles them to a benefit. Granting benefits to small businesses without requiring them to register or apply reduces the educational resources required to inform employers of their entitlements and is the best way to ensure that small businesses receive the much needed support these benefits confer.

The CPA looks forward to participating in the ongoing consultation process with the CRA, Service Canada and ESDC to develop and refine the proposed Canada Training Benefit.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Peter Tzanetakis". The signature is stylized and cursive.

Peter Tzanetakis
President

cc. Honourable Jean-Yves Duclos, Minister of Families, Children and Social Development
Honourable Diane Lebouthillier, Minister of National Revenue
Judith Andrew, EI Commissioner for Employers