



Human Capital Development in Canada: Closing the Gaps

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*By the Human Capital Development
Sub-committee*

Canadian CED Network



The Canadian **CED** Network

Le Réseau canadien de **DÉC**

Strengthening Canada's Communities

Des communautés plus fortes au Canada

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Introduction

This paper presents the Canadian CED Network's policy proposals for meeting the human capital development needs of Canadians.

In November 2001, community economic development practitioners from across Canada came together to construct a national policy framework. The recommendations presented in this paper grew out of the work of this National Policy Forum. Since the Forum, CCEDNet has been documenting the evidence base for the three main components of its Policy Framework: building community capacity for CED, developing finance capital to support CED initiatives and advancing a CED approach to human capital development.

This paper reviews existing research with respect to labour market trends and the human capital development needs of Canadians. It concludes that many Canadians who experience labour market vulnerability are unable to access the government-supported human capital development services they require. It calls on the federal government to adjust the eligibility requirements for the Employment Insurance (EI) program so that more Canadians are able to access the program's Employment Benefits and Support Measures. It also calls for the creation of a separate program, financed through the federal government's Consolidated Revenue Funds, which will enable access to human capital development services for those Canadians not assisted through the EI program.

CCEDNet favours cooperation among all levels of government in helping to meet the social and economic needs of citizens. The changes in federal policies this paper advocates should be pursued in ways appropriate to the Labour Market Development Agreements negotiated with the federal government's provincial and territorial counterparts.

In addition to expanded access to human capital development services, this paper calls for changes in how such services are delivered. CED promotes integrated, community-based models for providing human capital development services. Increased collaboration with governments at all levels is needed to remove obstacles to the operation of such a model and enable its advantages to be realized.

CED Policy Proposals for Human Capital Development

This paper elaborates and refines the policy recommendations developed by CCEDNet's National Policy Forum. Participants in the Forum called for the development of "*an integrated employment development system that meets the needs of all Canadians, not just the limited groups now targeted by labour force programs.*" Specific recommendations contained in CCEDNet's National Policy Framework include:

1. Broaden the eligibility criteria for human capital-related programs (e.g., Employment Insurance, social assistance, Canada Student Loans) so that all unemployed and underemployed people (including, for example, the self-employed) can access the supports they require, especially training.

2. Diversify criteria for program success to fit the variation in needs of different groups (e.g., youth, women, seasonal workers, immigrants, persons with disabilities, recently versus long-terms unemployed persons).
3. Initiate programs to address problems that are not currently given specific attention: that is, to meet the needs of recent immigrants (e.g., for gaining recognition of their non-Canadian credentials and to address job retention and job advancement issues for all employment program clients).
4. Modify welfare-to-work and other employment assistance programs to ensure the availability of critical employment supports (e.g., child care, transportation, and accommodations for persons with disabilities).
5. Create a more coordinated and graduated process for the reduction of the income assistance and other benefits during the transition from welfare-to-work.
6. Adjust government regulations so that individuals whose health or other circumstances limit their labour force participation can supplement their earnings with social assistance benefits on an ongoing basis.
7. Improve coordination of programs among all levels of government (federal, provincial, regional, local and aboriginal) and across departments that deal with different aspects of labour force development.

The Forum also recommended the development of a national employment development system that will greatly improve the delivery of labour force programs through partnerships among Community Economic Development organizations (CEDOs) and governments.

This paper begins the work of assembling an evidence base to support these proposals. It specifically describes the major trends shaping the recent labour market experience of Canadians, estimates the number of Canadians in need of human capital development services but currently unable to access them through the EI program, projects the additional spending required to better meet the need for these services and describes the CED approach to delivering human capital development services.

Methodology

The purpose of this study was to provide an evidence base documenting the gaps in current employment, income support and training in Canada, in order to support and refine the policy recommendations that grew out of the National Policy Forum. Our approach was to:

- Conduct a literature review of existing work on gaps in employment, income support and training in Canada;

- Develop a model for calculating the numbers of Canadians currently excluded from existing measures of unemployment and social assistance based on information gathered during the literature review;
- Review the evidence of gaps in the program delivery system relative to recent research on CED responses to changing community economic conditions;
- Make funding and program delivery recommendations based on our findings.

Limitations

As this study solely used secondary research, it is limited by the extent of information currently available on labour market exclusion and poverty in Canada. Although there is extensive information available on the number of Canadians using or being excluded from the Employment Insurance system, data on Social Assistance exclusion in each of the provinces is much more disjointed. As such, we have focused our work on Employment Insurance. This leaves some key numbers out of our calculations, including those who no longer have access to Social Assistance due to welfare to work legislation. CCEDNet hopes to better document this situation at a later date.

Background

In 2002, the Government of Canada's Innovation Strategy set a target of "significantly improving the innovation performance of communities across Canada."¹ In addition, Human Resources Development Canada outlined its priorities for skills and learning in *Knowledge Matters*. Among the goals articulated in *Knowledge Matters* was "Enhancing adult learning in the workplace and community, and meeting skills development needs particularly for those facing barriers to labour market participation." It also called for strategies to support "the integration of immigrants into the labour market."²

We contend that these goals, although admirable, are not viable given the current level of investment in human capital in Canada. In the last decade, we have seen a decline in income, employment and training support in Canada. At the same time, the labour market has become increasingly precarious for many Canadians as the extent of part-time, temporary and contract employment has grown. In rural and resource-based communities, the decline in traditional sources of employment has forced many workers to create other sources of income, in self-employment and multiple part-time work. In disadvantaged urban communities, people also are struggling to create and find stable employment. This section documents these trends and attempts to identify those groups that are most excluded from current income and employment support programs.

Labour Market Trends

*"Even for employers, part-time work is at best a mixed blessing. At the same time that employers have used part-time employment to cut their most visible costs – wages and benefits – they have undermined productivity by moving towards a workforce characterized by high turnover, low skill, and minimal job commitment."*³

One of the strongest labour market trends emerging in the last decade is the move towards part-time and contract employment. Although this has provided freedom, flexibility and success for some, it also has greatly increased the vulnerability of many workers.

Insecure and part-time employment

Employment stability in Canada seems to be declining at the very same time that government supports for human capital development, in particular Employment Insurance (EI) and social assistance, are also declining. In 1999, the Ryerson Social Reporting Network found that more than 53% of the workforce aged 25 to 59, or 6.7 million Canadians, were in vulnerable employment situations because they lacked stable work or adequate employment income.⁴

¹ Government of Canada. *Innovation Target Analysis*. www.innovationstrategy.gc.ca.

² Human Resources Development Canada. *Knowledge Matters*. 2002.

³ Tilly, Chris. *Short Hours, Short Shift: Causes and Consequences of Part-time Work*. Economic Policy Institute. 1990.

⁴ Dr. Mike Burke and Dr. John Shields. *The Job-Poor Recovery, Social Cohesion and the Canadian Labour Market*. Ryerson Social Reporting Network. May 1999.

Despite economic growth and falling unemployment in recent years, the earnings of low-income Canadians have yet to recoup their 1989 value, poverty remains persistently above pre-recession levels and extreme poverty is increasing. These are all signs that declining welfare [and EI] rolls are not actually improving the lot of low-income people.⁵ Furthermore, the average unemployment rate has been increasing decade by decade since the 1950s.⁶

Low-income workers, in general, are most vulnerable in this environment. Youth, women, disabled persons, aboriginal people, people of colour and recent immigrants are often employed in unstable jobs which do not provide guaranteed hours of work each week, let alone ongoing job security.⁷ The overall trend in employment growth in Canada has seen an increase in jobs which are casual, part-time, contract-based, less well-paying and tied to fewer benefits than traditional forms of employment.⁸ What is even more disturbing is that the number of involuntary part-time workers (those people forced to take part-time work because they cannot find full-time employment) almost doubled in Canada from the 1980s to the 1990s.⁹

In 1998, annual wages and salaries of recent immigrants were one-third less than those of other Canadians. Hourly wages were 18% less.¹⁰ The same study reports that racialized groups are underrepresented in managerial, professional and high-income occupations, and over-represented in low-end occupations and low-paying jobs. This is particularly the case for specific racial groups, notably African Canadians and South Asians. In stronger economic years, economic recovery does seem to counter some sources of racial disadvantage. Full employment is probably the single most powerful force for raising the fortunes of those at the bottom of the economic ladder.¹¹

Similarly, workers with disabilities typically are in the bottom third of wage-earning categories. Workers with cycles of disability and those with an ongoing disability through the six-year period (1993-1998) of a CCSD survey were most likely to suffer job loss.¹² In the same survey, only 44.7% of those experiencing an ongoing disability were able to remain above Statistics Canada's Low Income Cut-Off line. Only 6.7% achieved 'economic success,' defined as experiencing upward wage mobility, having composite hourly wages in the middle- or top-third of wage earners, and never having their family income drop below the Low Income Cut-Off.

⁵ Klein, Seth and Montgomery, Barbara. Depressing Wages: Why welfare cuts hurt both the welfare and working poor. Canadian Centre for Policy Alternatives. March 2001.

⁶ Ibid.

⁷ Jackson, Andrew and Robinson, David. Falling Behind: The State of Working Canada. Canadian Council on Social Development. 2000.

⁸ Yalnizyan, A., Ide, T.R., and Cordell, A. Shifting Time: Social Policy and the Future of Work. Between the Lines. Toronto. 1994.

⁹ Bezanson, Kate and McMurray, Susan. Booming for Whom? People in Ontario Talk About Incomes, Jobs and Social Programs. The Caledon Institute of Social Policy. 2000.

¹⁰ Smith, Ekuwa and Jackson, Andrew. Does a Rising Tide Lift All Boats? The Labour Market Experiences and Incomes of Recent Immigrants, 1995 to 1998. Canadian Council on Social Development. 2002.

¹¹ Ibid.

¹² Canadian Council on Social Development. CCSD's Disability Information Sheet. No 5, 2002.

Finally, there is some evidence that low-income workers are facing even greater insecurity due to increased competition for their jobs. 'Work fare' programs designed to move people off social assistance programs are expanding the pool of workers seeking low skilled, low paying jobs. Such an increase in the demand for low-income jobs can be expected to keep wages low for these workers.¹³

Self-employment

Self-employment is one of the fastest-growing types of employment in the Canadian economy, accounting for 18% of employment and 75% of new job growth in the late 1990s.¹⁴ From 1977 to 2002 there were only three years when the change in self-employment was negative.¹⁵

The vast majority of these jobs are in non-incorporated businesses without paid employees. Many self-employed are at the low end of the job market and face risks in that they are ineligible for Employment Insurance and are therefore unable to receive income benefits or other supports in the case that their businesses do not succeed. They also are ineligible for maternity or parental benefits. Further, many individuals are forced into self-employment because they are unable to secure full-time work – 15% of own-account self-employed say they chose this work because no other was available.¹⁶

The situation of the self-employed is all the more disturbing because of the emphasis that government has placed on self-employment training as a response to unemployment. Canadians are being encouraged to leave EI for self-employment, but if their businesses fail, they no longer have access to EI. They also lack support during periods of unstable or low income, very common during business start-up.

Even successfully self-employed individuals are challenging the exclusion of the self-employed from EI coverage. A recent survey found that the majority of executive women disagree with the policy of not giving access to EI maternity benefits to the self-employed.¹⁷

Employment Insurance Trends

While the Canadian labour market has been gradually moving towards temporary, part-time and contract employment, the Employment Insurance system has been eroding the levels of benefits available to these workers. Over a million workers have lost EI protection since 1993, with the lowest-paid workers losing the most. Sixty percent of those who lost EI coverage were workers earning less than \$15,000.¹⁸ Changes in eligibility requirements have resulted in the percentage of unemployed receiving regular

¹³ Klein, Seth and Montgomery, Barbara. Depressing Wages: Why welfare cuts hurt both the welfare and working poor. Canadian Centre for Policy Alternatives. March 2001.

¹⁴ SEDI. Microfinance: An Economic Participation Option for Poor, Working Poor and Unemployed Canadians. 1998. www.sedi.org.

¹⁵ Industry Canada. Key Small Business Statistics. May 2003.

¹⁶ Canadian Labour Congress. Precarious Work: Contracts and Self-employment. 1997.

¹⁷ Pollara survey. October 2, 2000.

¹⁸ Canadian Labour Congress. Unemployment Insurance Bulletin. Vol 4, No. 1. 2002.

EI benefits plummeting from 83% in 1989 to only 45% in 1998.¹⁹ The Canadian Council on Social Development reports that only 39% of unemployed Canadians were eligible for EI assistance in 2002.²⁰

These changes have deeply affected some sectors of society, including single mothers who face difficulties working enough hours to qualify, part-time workers (many of whom are recent immigrants and women) and seasonal workers. For example, in 1999, 28% of all employed women worked less than 30 hours per week, compared with just 10% of employed men.²¹ Women who do temporary, contract or seasonal work and women who work part-time are less likely to be eligible for maternity and parental benefits under EI, and women who are self-employed are not eligible at all. This accounts for 41% of all Canadian women who work.²² In addition, laid off workers now need three times the hours they used to in order to qualify for EI. Previously, 150 to 300 hours were needed. Now, 420 to 900 hours are required. Given the proliferation of part-time work, many individuals find it difficult to meet these work requirements.²³

What is happening to those who are no longer covered? Of those who are unable to collect Employment Insurance, a Statistics Canada survey found that 33.6% rely on family or parents, 23.3% rely on social assistance and the rest rely on savings, loans, other government sources, pension, wages and/or some other source of support.²⁴ We suspect that many others end up entrenched in part-time or temporary work, and have their savings for retirement and education eaten away by periods when they have no income whatsoever.

All of this is occurring at a time when the EI surplus has grown to record levels. The accumulated surplus in the EI account reached \$40-billion at the end of fiscal year 2002/2003 far beyond the maximum allowable surplus of \$15 billion.²⁵

Social Assistance Trends

Impoverished Canadians are increasingly unable to access social assistance and its related human capital development programs. Welfare recipients in Canada live drastically below the poverty line. A single, employable person receives anywhere from 20% to 37% of the poverty line income (\$16,167).²⁶ In addition, the different rules, regulations

¹⁹ Valvasori, Joe. Innovations Strategy Response. The Learning Enrichment Foundation. 2002. From: Ken Battle. Relentless Incrementalism: Deconstructing and Reconstructing Canadian Income Security Policy Ottawa: Caledon Institute of Social Policy, 2001, p.22-23.

²⁰ Canadian Council on Social Development. . Imagining a Future of Inclusion: CCSD's Submission to the House of Commons Standing Committee on Finance, 2003 Pre-budget Consultations. Ottawa. September 2003.

²¹ Valvasori, 2001.

²² Women's Network PEI. Looking Beyond the Surface: An Indepth Review of Parental Benefits. Equity Issues Summary. December 2002.

²³ Ibid.

²⁴ National Council on Welfare. National Council of Welfare's Welfare-to-Work Roundtable. Summary Report. 2002.

²⁵ The Globe and Mail. November 4, 2002.

²⁶ Canadian Council on Social Development. Canadian Welfare Incomes as a Percentage of the Poverty Line by Family Type and Province. 2001. www.ccsd.ca.

and administration requirements by the myriad of agencies and programs make it too easy for people to fall through the cracks. Accessing education, training or other programs that might offer a way off welfare frequently requires persistent struggle, often with little result.²⁷

Welfare-to-work

A study that examined the welfare-to-work programs of British Columbia, Alberta, Ontario and Quebec concluded that none kept detailed statistics on the number of 'employable' individuals who have left welfare rolls since policy changes were implemented. As a result, little is known of what happened to them after exiting the program: "Ultimately, we do not know what happens to people who leave social assistance, and neither do the ministries responsible for social assistance – a fact that complicates the process of estimating the number of people who moved from welfare-to-work."²⁸

In addition, there is growing concern that welfare-to-work policies are entrenching individuals in poverty and having a damaging effect on the health of families. In the United States, the Economic Roundtable found that 75% of participants in Los Angeles County's welfare-to-work program could not find employment that was adequate to keep their families out of poverty.²⁹ In Alberta, a similar study found that although many welfare-to-work participants were considered employable by the government, the majority of the study participants had significant health concerns that limited their ability to engage fully in welfare-to-work initiatives. Some participants also struggled with basic food security, transportation and child care issues.³⁰

²⁷ National Council on Welfare. National Council of Welfare's Welfare-to-Work Roundtable. Summary Report. 2002.

²⁸ Klein, Seth and Montgomery, Barbara. Depressing Wages: Why welfare cuts hurt both the welfare and working poor. Canadian Centre for Policy Alternatives. March 2001.

²⁹ Los Angeles Daily News. Welfare-to-work recipients live in poverty. July 30, 2003.

³⁰ Breitreuz, Rhonda S., Raine, Kim D., Williamson, Deanna L. The Relationship Between Welfare-to-work Policies and the Health of Families in Poverty: A Critical Inquiry. University of Alberta. 2002.

Measuring the Gaps

This section provides a quantitative analysis of current funding gaps that have grown out of the trends described in the previous section – that is, the number of Canadians who are in need of human capital development services but cannot access them because they are ineligible for Employment Insurance and the Employment Benefits and Support Measures it offers. (Due to the limited data available, a similar analysis of the funding gaps for individuals needing social assistance cannot be undertaken at the present time. CCEDNet hopes to undertake such a study at a future date).

Gaps in EI

Our approach to estimating the number of Canadians in need of human capital development services but unable to access them through the Employment Insurance program follows an analysis offered by the Ryerson Social Reporting Network.

In its study, “The Job Poor Recovery: Social Cohesion and the Canadian Labour Market,” Ryerson argued that official unemployment figures provide too limited an account of employment vulnerability in today’s economy.³¹ It proposed instead an index of labour market exclusion that recognizes a broader range of circumstances in which individuals experience labour market vulnerability. In particular, it observed that individuals experience vulnerability when they lack stable employment and/or employment which provides sufficient earnings. It identified six categories of worker or prospective worker who experience such vulnerability: the unemployed (as officially defined); discouraged workers; involuntary part-time workers; discouraged involuntary part-time workers; marginal temporary workers; and marginal own-account self-employed.³² The Ryerson study then used data from Statistics Canada’s Labour Force Survey to determine the number of workers who fell within these categories. It identified that some 3.2 million Canadians suffered from labour market exclusion as defined by the study, a figure that was approximately 2.5 times the official unemployment level for the period studied.³³

The Ryerson study echoes the methodologies employed by other respected researchers and their findings. In 1997, the Centre for the Study of Living Standards reported that the official unemployment rates in Canada greatly underestimated the underutilization of labour, due to the massive increases in the numbers of part-time workers who want, but are unable to find, full-time work. It suggested using an hours-based unemployment rate that would count lost hours for part-time workers. In 1995, this would have increased the official unemployment rate by approximately 30 percent, from 9.5% to 12.5%.³⁴

³¹ Burke, Mike and John Shields. The Job-Poor Recovery: Social Cohesion and the Canadian Labour Market. Ryerson Social Reporting Network, Ryerson Polytechnic University. Toronto. 2001.

³² Ibid, p. 13.

³³ Ibid, p. 2.

³⁴ The Centre for the Study of Living Standards. The Rise of Involuntary Part-time Employment in Canada. September, 1997.

In the United States as well, much work has been done to document the deficiencies of unemployment calculations. Like the Ryerson Social Reporting Network, the Council on International and Public Affairs found that the American unemployment rate would be almost double its current amount if discouraged workers, involuntary part-time workers, youth workers, striking workers, and incarcerated (or on parole) workers were counted.³⁵

Conceptually, the Ryerson study offers a helpful way of understanding the number of Canadians who would benefit from human capital development services but are unable to access them through the Employment Insurance program. While it would be desirable to update the Ryerson figures based on current data, on a conservative basis it is fair to estimate that the official unemployment figures underestimate by somewhere between 50% and 100% the number of Canadians in need of human capital development services.

On this basis, we can also offer a broad estimate of the additional funding required to more adequately meet this need. According to the Canada Employment Insurance Commission, approximately \$423 million was spent on Employment Benefits and Support Measures in 2002.³⁶ We project that an additional \$200 million to \$400 million is needed to meet the human capital development needs of Canadians.

³⁵ Finn, Ed. Lying with Statistics: What's the Real U.S. Unemployment Rate? Canadian Forum. October, 1997.

³⁶ Canada Employment Insurance Commission. Employment Insurance 2002 Monitoring and Assessment Report. Ottawa: Human Resources Development Canada. March 2003.

A CED Response: CCEDNet Recommendations

Eligibility Requirements

In 2001, the Parliamentary Human Resources Development Committee made several recommendations that reflect positions taken in this document, including: lowering the number of hours required to qualify for EI to 700 and adapting the program to include self-employed workers.³⁷ These recommendations were not acted on by government. The government did table a report in response in late 2001, but said only that it would consider the recommendations.

CCEDNet is asking the government to reconsider these recommendations, along with carefully researched recommendations being put forward by the Canadian Labour Congress, National Council of Welfare, Canadian Centre for Policy Alternatives, Canadian Council on Social Development, the Learning Enrichment Foundation and the National Council on the Status of Women, among others. We support and encourage these recommendations regarding changing EI requirements to make it is easier for single mothers, recent immigrants, part-time workers, seasonal employees, disabled workers and other groups excluded from the labour market to qualify for Employment Benefits and Support Measures.

Our support for these positions is clearly indicated in the seven Policy Forum recommendations presented earlier in this paper.

New Funding Stream

In addition, we propose that a new funding stream separate from the EI program be established to provide human capital development supports to those workers or prospective workers who cannot be accommodated within the EI program itself. Included in this group would be individuals who face particular difficulties meeting the threshold requirements for EI eligibility (e.g., entry and re-entry workers and the long-term unemployed). We propose that such a program be funded out of the federal government's Consolidated Revenue Funds.

CED Delivery Model

New funding in itself will not solve the problems that prevent many Canadians from accessing employment, income and training supports. How programs are delivered also creates a number of problems, both for the organizations providing the support and for prospective recipients of these services. This section describes key features of the CED delivery model that CCEDNet is recommending.

³⁷ Parliamentary committee studies. Human Resources Development and Status of Persons with Disabilities Committee. July 2003. www.parl.gc.ca.

The Importance of Community-Based Lifelong Learning

Community-based lifelong learning is key to creating new economic opportunities for Canadians. Older and more traditional sectors of the economy and labour market are shedding jobs, while those in the expanding ‘new’ economy are with smaller niche enterprises. The labour demand side requires a new approach on the labour supply – one that relies less on cookie-cutter programs, large-scale institutions and sector development, and more on flexible, community- and workplace-based learning opportunities relevant to the changing demands of local, community-based economies.

Large-scale industrial sector-based strategies, and the use of post-secondary institutions mostly located in urban centres, often utilizing eligibility criteria that exclude the most disadvantaged, will not meet the needs of diversifying local economies, and will not reach those communities and populations that have the least assets to create new learning and economic opportunities for themselves. What are needed at the local level are flexible, community-based systems geared to build the skills and create the enterprises that are the engines of diversification and sustainability for many resource-based, rural, and coastal areas, and urban disadvantaged neighbourhoods.

Integrated Approaches to Bridging Learning, Socio-Economic and Digital Divides

There is a significant skills and learning divide facing disadvantaged communities in Canada. The members of such communities experience interrelated digital, social and economic divides. The general increase in educational attainment (high school completion and enrolments in post secondary education) since World War II has leveled off. One third of the youth population is not benefiting from post-secondary education, and nearly the same proportion is not completing high school.

These rates have not changed in some time, and because they are national averages they mask the reality of deep inequalities in education between communities. Educational disadvantage is concentrated in rural, Northern, remote resource-based, Aboriginal and urban disadvantaged communities. These same communities experience significant inequalities in other health and social conditions – with rates of poverty, child mortality, and teen pregnancy, for example, three to four times the Canadian average. The following table provides data on some coastal communities in British Columbia that demonstrate the extent of disadvantage that some communities experience.

Coastal BC – Inequality in Community Conditions

| Indicator | Bella Coola Valley | North Island | BC |
|---|--------------------|--------------|-------|
| Percentage of 18 years old not graduating (2000) | 73.6% | 41.4% | 25% |
| Percentage of 25-54 years old without graduation (2000) | 29.3% | 30.4% | 22.6% |
| Percentage of 25-54 years old without post secondary education (2000) | 53.1% | 53.6% | 46% |

| | | | |
|----------------------------------|-------|-------|-------|
| Teen pregnancy per 1000 (1999) | 75.1% | 64% | 26.6% |
| Infant Mortality per 1000 (1999) | 15.6% | 10.1% | 4.9% |
| Suicide/Homicide per 1000 (1999) | 9.1% | 9.9% | 5.3% |

Source: BC Stats, Local Health Area Profiles, 2001.

It is clear that there is a growing learning and socio-economic divide facing disadvantaged communities. These inequalities are exacerbated by a digital divide – lack of access to telecommunications, Internet and computer technologies – that denies communities the opportunity to enter the new knowledge-based economy. These learning, socio-economic, and digital divides are inter-related, self-perpetuating and concentrated in communities that have the least assets. Integrated approaches are needed for tackling these divides in comprehensive and innovative ways.

CED organizations address the multiple barriers facing local residents in a number of ways. They integrate human capital development services with long-term strategies for the economic and social development of their communities. They forge employment-oriented partnerships with local business and community service agencies. Through such partnerships they establish a continuum of services that can respond flexibly and appropriately to the needs of both workers and employers. The integrated model allows for workers with multiple needs to be supported in pursuing a coherent pathway to employment, sometimes a pathway that takes an extended period of time to travel. Through strong partnerships with employers, CED organizations are able to design skill development programs geared to the specific needs of local businesses. In some cases, CED organizations are able to support the process of business creation, thus helping to develop new sources of employment as well as preparing workers for existing jobs.

A survey of CED organizations and their practices across Canada documents the growth in multi-faceted approaches to tackling these challenges.³⁸ The government of Canada needs to invest in evaluating and scaling up these practices to engage and inform an increasing number of communities on integrating strategies to address social, economic and human development at the community level.

Investing In Community Based Skills and Learning

To respond to these challenges, a new community-based approach to human capital development is needed that invests in community-led innovation. We would argue that the federal government needs to change its own program policies and criteria to invest in the capacity of communities to undertake locally-based, comprehensive approaches to adult and lifelong learning that effectively meets the changing skills needs of their local economies and citizens. This means removing restrictive EI eligibility requirements and narrow, cookie-cutter program criteria for eligible services and activities. Outcome-based program criteria need to be adopted.

In particular, there needs to be recognition of the community economic development sector as a resource for local labour market development. Further, the support is needed for CED organizations to work with and mobilize all sectors (business, community,

³⁸ CCEDNet. [A Profile of CED in Canada](#). 2003.

government, and labour) to focus on reducing poverty, disadvantage and the barriers to self-sufficiency that many people and communities face. There are many examples of innovative approaches to skills and learning being pioneered by CED groups – in all cases the restrictions on EI clients and the types of services eligible for funding are major barriers to developing integrated and comprehensive approaches to meeting learning needs.

Long-Term Financing

CED organizations face significant challenges to their ongoing capacity to support community innovation and development because of the lack of consistent long term financing of their work. Many of the development initiatives and approaches they are working on involve fundamental, long-term change in the economies and social characteristics of their communities. These transformative development processes take time and a consistent level of activity. Without long-term financing for consistent development activities the rate at which significant results can be achieved is eroded, and in some cases, put at risk.

The lack of long term funding is compounded by the segregation and fragmentation of government programs to support community development. ‘Drive-by’ funding of short-term projects from a variety of government sources has to be used to patch together the funding base for many community organizations working on deep-seated, long-term community development challenges. The multiple reporting and accountability requirements on these diverse sources of funds create a huge burden on small community agencies. When government programs change frequently agencies are faced with major challenges trying to access alternate means for funding the same fundamental community development activities.

The above challenges coupled with the steady growth of effort to marshal CED as a key strategy are converging to create a major funding crunch for CED organizations and initiatives. There is more demand than resources and there is a lack of resources available that are designed to build on what we have learned over the last 20 years. If community economic development is to become a key component of Canada’s innovation system to tackle the long-term development needs of disadvantaged communities, a long term source of funding will need to be created that provides a consistent resource base on which to plan and take action on Canada’s community development challenges. Government leadership in this area could lever more sustained commitments from other sources of investment in communities.

Other jurisdictions are providing that leadership and creating competitive advantages for their economies as a result. The European Commission has long term funding arrangements through the European Social Fund and the LEADER (rural development) program to support community economic development. The OECD’s Local Economic Development program (LEED) supports best practices in local and regional economic development initiatives. In the US, the Department of Agriculture and the Department of Housing and Urban Development provide long term funding for community economic development.

Canada risks falling behind other jurisdictions in having a consistent, adequate source of funding for its CED sector to tackle the innovation challenges facing regions and communities.