The Quebec Act Fostering the Development of Manpower Training, Mapping the Situation after Ten Years of Experimentation

1. The scope of the ACT and its main provisions

- Adopted in June 1995, the Act reaches, in 2005, all employers with a payroll superior to one million dollars a year (around eleven thousands employers).

- The goal is to improve manpower qualification through:
  
  - **Increased investment** in manpower training. A concerned employer must spend in training of its personnel at least 1% of its payroll each year;
  
  - **Concerted action** between management, unions and community partners, an aspect which now translates into institutions, mainly the “Commission des partenaires du marché du travail” at the central level and equivalent boards at the regional level.

- Apprentices and trainees are included in the personnel for **eligible training expenditures** defined by regulation.

- A fund was established, independent from the State, under the name “Fonds national de formation de la main-d’oeuvre”, sometimes labelled the Partners’ Fund. When an employer doesn’t reach the one percent minimum, he must pay the difference to the ministry of Revenue. This sum is redirected to the Fund. Many institutional developments were initiated by Quebec social partners with the support of the Fund, e.g. a program of support for applied research on issues related to training, another to financially support the sectoral committees involved in the development of skills standards or apprenticeship initiatives.

- The Act also binds government’s ministries, one by one, and public corporations or bodies which are considered **mandataries** of the State. For the government, the idea was to set an example to the private sector employers; for the unions, the provision was welcome as a means to protect training budgets, within ministries, against the budget cuts that were expected ten years ago.

- Some Quebec businesses from the field of transportation challenged the validity of the law in courts, arguing that they were under the federal jurisdictions for labour
issues. In September 2000, the Court of Appeal of Quebec rejected the argument and concluded that the bill was adopted by the Quebec legislature under its exclusive jurisdiction on matter of education and training. The Supreme Court of Canada rejected a request for a hearing of the case in July 2001.

- A **self-financing approach** was introduced in the Act: to avoid the appearance of a bureaucratic organization, the civil servants involved in the management of the Act are paid directly from the Fund but the “Commission des partenaires” decides how many persons are needed for the job (around sixty).

- **Eligible expenditures** include salaries paid to someone while in training, and diverse expenses related to training and training activity itself when given by:
  - an **educational institution** recognized under the Act;
  - a **training body** or an **individual instructor** accredited under the Act by Emploi-Quebec;
  - someone in an enterprise where training is organized by a **training service** if it is accredited;
  - someone supervised by a **professional order** governed by the Professional Code, such as lawyers, doctors, etc.;
  - **other providers** (e.g. non-accredited instructor or training bodies, trainers from abroad) at different conditions established to demonstrate that the training is transferable or qualifying. We are talking here of a specific provision that was suppose to be complementary or residuary. It became the most utilized means of validation for training expenditures but at the same time, the least popular because of the paper burden associated to it, like the obligation to keep trace of attestations delivered to participants showing the attainment of the training objectives pursued by the activity;
  - **on-the-job training** is also admitted under the *Regulation respecting eligible training expenditures* at the following condition: “apprenticeship tasks” must be performed "for a specific period established within the framework of a training plan". This plan can be simple as long as it shows the pursued objective and determines a reasonable period for the learning of the necessary know-how to accomplish a new task or do the job differently – we require a “reasonable
period" to show that we are not talking here about a training to become the most performing worker or about the training of a professional sportsman.

- **Other expenditures** comprise the wages or other expenses needed to develop a training plan or to develop, adapt or assess an apprenticeship program. Travel, lodging, meal and day care can be included at certain conditions detailed in the Regulation. It is the same for the participation to a workshop, convention or seminar when a training activity is offered. Expenditures for equipment acquisition or in order to organize premises for training can also be eligible at certain conditions, including the respect of depreciation rules inspired by fiscal laws.

- A part of the Act also constitutes a fiscal law and the provisions included in this part are under the responsibility of the minister of Revenue who can use all the means established by **fiscal legislation** to make sure that the law is honestly applied and respected.

- It is important to notice that the Act includes a provision that allows a **carry-over** from one year to another. For an employer required to respect the one-per-cent obligation, that means, for instance this year, that he will be able to carry forward to 2006 the amount spent in excess of the one-per-cent. If its obligation corresponds to expenses in the amount of $20,000, while he is able to declare eligible spending amounting to $30,000, he will start the coming year with a sum of $10,000 that he will be able to include in eligible expenditure for 2006. It is important to mention this particularity because it creates a relative difference between declared expenditures by all employers who are required to participate to this collective effort for a year (it is around 1.1 to 1.2 billion a year since 1998) and the amount of training expenditures that were effectively realized for the same year. I will come back to this when presenting the main results collected from different surveys.

2. **History of previous moves which led to the Act**


- 1982: The Jean Commission report on Adult Education put forward many proposals that could have led to the adoption, by the Quebec parliament, of an act inspired by the French model.
• Instead, the government of Quebec adopted in 1984 a modest plan that didn’t give a great follow-up to the 1982 proposals regarding manpower training. We were just coming out of a recession that put governments on a crisis management *modus operandi*.

• In 1987 came the debate over the Free Trade Agreement with the USA. The Bourassa government supported it on one condition: a massive investment on manpower training to help people adapt to the new economic context.

• By 1989, the DeGranpré Commission put in place by Ottawa recommended the adoption of a law by the federal parliament of Canada. The proposal was to impose a 1% obligation to the employers, with the possibility of avoiding a corresponding payment to the State by spending directly on the training of employees. It is globally the approach that Quebec adopted a few years later.

• 1990
  
  o The Budget Speech by Quebec’s Finance minister announced the creation of the “Refundable Tax Credit for Training”.

  o The Training Guarantee Act was adopted by the federal Government of Australia. Article 3 of the Act describes its main objects in these terms:

  “The principal objects of this Act are to increase, and improve the quality of the employment related skills of the Australian workforce so that it works more productively, flexibly and safely, thereby increasing the efficiency and international competitiveness of Australian industry”.

  The Quebec bill of 1995 also describes the object of the proposed law in its first article which is inspired by the Australian model.

• In 1991, Quebec adopted a policy statement on labour force development: *Partners for a Skilled and Competitive Quebec*. In a chapter entitled “Need for corrective action”, there was a description of the reserved commitment by businesses on the issue of training investment:

  “The various surveys and analyses conducted on the subject clearly show that skills development is not currently a priority for Quebec businesses. …A 1990 survey of 400 Quebec firms in the manufacturing and service sectors conducted by the
Ministère…shows that 45% of small- and medium-sized businesses in these sectors offered no organized training activities whatsoever.”

- A few events occurred in 1994:
  
  o The Australian Act was suspended after a change of government.

  o The Adult Education and Training Survey (AETS) from Statistics Canada revealed that participation rates in employer-supported training was at 21% for the whole of Canada in 1993, but only at 15% in Quebec compare to 25% for Manitoba, Alberta and BC.

  This being said, it was never clear that the comparison between Quebec and other provinces was completely reliable, mainly because of one major difference; it concerns the integration in the school system of the skills training of youth. When employers hire young adults who graduate from the school system with recognized skills for a trade, they don’t necessarily train them as much as they do for non-graduates. Some argue that our system doesn’t incline employers to involve themselves in training, which doesn’t help them to think in terms of continuing training for those already working in the enterprise.

  o Coming back to events that lead us to the adoption of the law, we have to remember that, in 1994, the new elected government of Mr. Parizeau reawakened the project of an imposed obligation arguing that the refundable tax credit was not working well enough, mainly reaching big businesses already investing in the training of their workforce.

- The Australian Act was abrogated in September 1996; a report was made public on the assessment of the act. On page 85, chapter 7 (“How the Program Worked”), we can read this:

  “The Training Guarantee was initially received favourably by most individual employers, but lost support over time. Main reasons for its deteriorating image included the paper burden, the perceived inflexibility of the guidelines on eligible training, the failure of the scheme to screen out unscrupulous training providers, lack of guidance on suitable options for compliance, and the fact that it was administered by the ATO”, thereby creating the impression that it was a tax rather than an incentive program. On the other hand, industry organisations, which initially opposed

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1 Australian Taxation Office
the scheme strongly, had mostly come to believe by the time of its suspension that it had brought some benefits”.

Quebec took some measures to avoid the difficulties identified in Australia. Compare to the ATO, the role of the ministry of Revenue is limited to fiscal provisions and there is no intervention on its part regarding admissible training. A regulation was adopted concerning the accreditation of training bodies, training instructors and training services. It was completed in 2000 by a regulation imposing deontology rules to training providers.

- In 1999, a new AETS survey from Statistics Canada showed no progression in respect to employer-supported training. The Canadian scores remained at 21%, some provinces improving their rate modestly, like Ontario, others falling behind. The rate was even a little worst for Quebec in 1997 than it was in 1993.

- In 2000, the international labour movement proposed to establish an international target, at the ILO Conference, for labour training supported by employers. It was followed by the elaboration of a new international recommendation in 2003-2004, which didn’t retain this approach.

3. Assessment of the Act / interprovincial comparisons

- There are differences between Quebec (Institut de la statistique du Quebec) and Statistic Canada surveys because of:
  
  - The scope of each survey (Quebec = workers in targeted businesses vs Stat Can = all employees).
  
  - Admissible expenditures under the Act vs “official training”, a concept relating to a program or a course.

- A Quebec survey (ISQ) published in 2005 put forward the following results for 2002:
  
  - 60% of workers answered they had participated in at least one training activity sponsored by their employer, 28% of them in an activity related to their job (improvement or on-the-job training), 24% as the result of technological or organizational change, 14% in relation to health and security, 9% to get a recognized qualification and only 4% for basic skills. 54% participated in two activities or more.
The average number of hours for each participant is 66 hours, but distributed unequally; 55% of the participants have less of 25 hours of training.

The Statistic Canada survey shows different results for the same year:

For the number of hours of each employee trained under the sponsorship of his employer, the average number was estimated to 94 hours in 2002, compared with 76 in 1997 and 54 in 1993. It is under the Canadian averages: 120 hours for 2002, 74 in 1997 and 64 in 1994. At first sight, Quebec was under the same influence as the rest of Canada regarding the rise of hours devoted to labour training, but it apparently progressed at a slower rate in 2002.

As for the rate of participation, 24% of workers answered they had participated in an “official training” activity sponsored by their employer during the same year, far less than the Quebec survey shows based on eligible spending under the law.

However, 24% represents a rise of 60% compared to earlier surveys by Statistic Canada: the rate of participation being around 15% in 1997 as well as 1993, before the adoption of the law.

It is not possible to attribute this change to the effect of the law only. But there is an advantage with the AETS; it permits a comparison with previous surveys and between provinces. When you compare results for 1997 and 2002, it shows that other provinces were mostly stable except in the case of New Brunswick. The Canadian rate rose from 22.4% to 25% essentially because of Quebec and partly because of New Brunswick. Apart of the school system, the law certainly represents the main difference between Quebec and other provinces in regards to the issue of training sponsored by employers.

I must add that, in our view, the Statistic Canada survey’s results for Quebec held for the year 1997 are doubtful, as well as those of the Quebec survey held among employers for the year 1998 for the following reasons:

As mentioned earlier, there is a mechanism in the law that allows an employer a carry-over to the coming year for the spending in excess to the 1% standard. Due to this mechanism, it seems that there was a kind of big bang effect in the three first years of implementation.

The administrative results collected by the ministry of Revenue, from the declarations made by employers, showed that more than $1.1 billion were spent
in 1996, the first year of implementation. For the employers subjected to the 1% obligation, this represented more than 2.25% of their collective payroll. So the possible carry-over was globally the equivalent of one year free of obligation. This carry-over corresponded globally to $659 millions.

- In 1997, year of the Statistic Canada survey, the same group of employers declared spending $837.6M. Reduced from the previous year’s carry-over, this sum didn’t amount to a lot of new spending in 1997, only $178.6M. One can pretend that, if there is any correlation between these administrative data and the answer of employees to the survey, this was not a good year for a survey.

- The participation rate of 15% let at first the impression that there was no difference between before and after the adoption of the law, based on a comparison between 1993 and 1997. But this conclusion could also be questioned by underlying that the declared spending for 1996 were five times as important as those of 1997. One could guess that a survey held in 1996 would have produced very different results.

- Applying the same technique to 1998, we can show that employers (those with a payroll above one million dollars a year) declared a global spending of $968.8M. When this amount is reduced from the carry-over in bank at the start of 1998 ($287.6M), we can presume that the real and new effort turned around $681.2M for 1998, the equivalent of 1.5% of the payroll of these employers. It is less than the 1996 results but almost four times the results of 1997. Those three first years are really awkward. The total spending declared by employers of the same group stabilized after that at around one billion dollars for 1999, 2000, 2001, 2002 and 2003.

On that basis, one can seriously pretend that the law had a real effect, employers acting in a way to make sure that they complied themselves to the 1% obligation imposed by legislation. It is clear that many of them were preoccupied by the need to comply with the 1% obligation during the first years of implementation, those of the big bang.

Some could object that employers do not necessarily declare more than what is imposed. If there is any correlation between administrative data and surveys made among employees, the participation rates established for 2002 would be closer to the real progress made in terms of training sponsored by employers than those of 1997 and 1998. That would make a basis to conclude that the approach “you train or you pay” had a real effect in the case of Quebec.
4. Some ambiguities

This part of the presentation may not look as conclusive as expected, but we have to remember the words used by Gordon Betcherman when describing our knowledge on training inside private businesses in Canada: a real “black hole”. The great diversity of sectors and training initiatives, the constant changes in the economy and many other factors make it very difficult to draw straight conclusions.

For instance, our own surveys will never let us establish scientifically that we are doing better now than before the law. We would need to compare recent results with those of an equivalent survey made before its adoption, which was never done. Our surveys only help to assess the progress made from one to another.

The AETS from Statistique Canada is the only tool from which we can formulate some hypothesis. However, I am convinced that the backwardness of Quebec was exaggerated on that basis in the nineties. We were comparing apples to oranges because of the absolute school approach that was implemented in Quebec with regard to skills training. The clientele of our training centers has always been constituted in majority of young adults, the average age turning around 26-27 years old. These individuals are considered students. When you compare with Alberta, the same young people are trained through apprenticeship. Their average age turns around 25 years old. In a survey on adult training, you will consider them as workers while the youngsters of Quebec are not. That is certainly creating a gap in comparing results in initial training to get qualified, but it is even more mistaken, I believe, regarding the real extent of the effort made by employers in terms of continuing education. Quebec may even be in front of many other provinces presently in that regard.

Furthermore, the StatCan surveys were never built to assess our own experimentations and there is certain reluctance in using them for that purpose. The importance of the gaps existing when we compare results of Statistique Canada with our ISQ surveys among employees just reinforces this reluctance.

A 2000-2005 report recently presented to the National Assembly by the minister of Employment and Social Solidarity puts forward other results obtained from two surveys among employers. In their response to the survey made public in March 2002, many referred to improvement in adaptation (95%), improvement in quality of products (92%), better motivation (89%), less waste of materials (77.6%). But these are improvements resulting from a more intense effort in training. We cannot speak of results from the law itself. Forty p. cent of employers also indicate that the law was causing more inconvenient than advantages.
5. Options for coming years

For the government who proposed the bill in 1995, the objective was simply to catch up with others provinces and certainly erase the bad impression left by the survey of Statistique Canada, the AETS held for 1993. In a way, this objective has been fulfilled. Quebec seems to have erased its backwardness regarding training supported by employers.

On the other hand, it seems from our own surveys that the effort now tends to reach a ceiling. But it is very difficult to compare one year to another, e.g. 1998 to 2002. In the first case, 1998, you are at the eve of a new century and in the midst of a technological boom. So the snap shot you take from that year is obviously influenced by such factors. In 2002, the Canadian dollar is at its lowest, the technological industry is in a relative bust, while traditional jobs in the building and manufacturing industries are growing substantially. It is clear that you need more than two or three surveys before drawing clear conclusions.

Nevertheless, researches done recently make us believe that employers’ attitude changed since 1998 and that many improvements were initiated on different working premises. This remains to be studied furthermore but the attainment of a quantitative objective is probably less important now than the new developments appearing in terms of institutionalization.

For some, it is high time to look further than quantitative objectives and try to implement the real goal of the law which is to improve qualifications of Quebec manpower. Measuring real progress of that kind would require some corrections to the law or even a different approach. The government proposed to adopt, for the beginning of next year, a global strategy on qualifications and skills development. It could be followed by different improvements in order to make the law more effective in terms of qualitative objectives; for instance by promoting the development of skills standards or forwarding new tools for small and medium enterprises.

But this is not the only options that the Quebec government has. He could maintain the status quo and wait a few more years to have a better picture of the repercussions of it, e.g. in terms of institutionalization of training activities within businesses and organizations. Considering that the objective of raising the employers’ investment in training seems to be fulfilled, the government could as well raise the 1% to ask a supplementary effort to employers, but there is no indication on his part that there is an interest to go that way.
6. Next steps

Some events are to follow in the coming year:

- A parliamentary commission to be held in the fall on the 2000-2005 report;
- Public consultations at the beginning of 2006 on a projected strategy about qualifications and skills development;
- A possible revision of the law in the spring of 2006 if the government prefers to follow that path instead of the simple status quo.

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