Submission to Carol Taylor
Minister of Finance
on Proposed Training Tax Credit

On behalf of the 10,000 faculty and staff who work in British Columbia's post-secondary education system, our Federation appreciates this opportunity to comment on the Minister's proposed training tax credit. The proposal was first announced in the February 2006 provincial budget. Although the money for this initiative has been set aside, the actual details of the program are still a "work in progress". We hope our comments will provide some guidance and advice to the Minister and her staff as they consider how best to support an increased level of training across BC.

Overview: BC's Skills Shortage

As the Minister's Economic Forecast Council has noted for several years now, a looming skills shortage in BC poses as serious risk to provincial economic growth. Certainly there is ample anecdotal evidence that employers across the province are either unable to recruit for existing vacancies or are worried that their plans for expansion will be restrained by serious skill gaps in the existing workforce.

It's important to emphasize that the skills shortage is affecting every occupational group, whether it's white collar or blue. While most media stories focus on the problems facing the construction sector, similar skills gaps are emerging in professional categories (e.g., pharmacists, accountants), many career and diploma categories (e.g. tourism managers) and a variety of technical occupations (e.g., radio-therapists, aerospace technicians).

Some within the employer community think that the most effective response to this pending shortage is to fragment established skill categories to allow employers to adopt task-specific human resource strategies. As well, these same employers want to change existing immigration policies to allow for what can only be described as a 'guest-worker' permit system to fill any current workforce needs.

The obvious problem with both of these concepts is that they not only undermine long-term productivity, they also are an affront to Canada's long-standing policy of linking citizenship with immigration. By fragmenting established skills, for example, we undermine labour mobility because fragmented skills are not recognized inter-provincially, effectively stopping workers from moving to better employment prospects and enhancing productivity growth in the process. By adopting a guest-worker policy, Canada and BC turn their back on their long-standing commitment to prospective immigrants, a commitment that includes the promise of full citizenship for those prepared to move to this country.

We realize that the proposed training tax credit has nothing to do with immigration policy, but in terms of context, it is important to see that some of the debate surrounding the current skills shortage offers little in the way of long-term solutions. If BC hopes to create the conditions necessary to build those long-term solutions, government and policy makers need to be wary of the push for a 'quick fix' that may satisfy a very narrow set of interests, but does serious damage to the rights of individuals to acquire the skills and training that benefit our economy over the long term,

Training Tax Credit: Is There A Better Option?

Few would dispute the need to improve the training effort across our province. As both the BC Business Council and the BC Chamber of Commerce have noted in several public forums on the issue of post-secondary education and training, BC needs to narrow its existing skills gap. Currently, 59% of BC's workforce has some form of post-secondary education or training in the form of a degree, diploma, certificate or completed apprenticeship. We also know that 73% of all new jobs will require some form of post-secondary education and training. Add in the changing demographics of BC's workforce (aging baby boomers) and it's clear that BC will need to make a concerted effort to ensure those post-secondary skills are more widely available in the coming years.

Unfortunately, provincial government policy over the last five years has made it more difficult to close the existing skills gap and more difficult to ensure that post-secondary skills are accessed in affordable ways by prospective learners, both young and old. Funding of the public post-secondary system has fallen behind over the last five years, a change which has made it more difficult to offer the programs and course options that are needed to both start and complete post-secondary education. As well, the cost to individual students – their tuition fees – has skyrocketed as a result of tuition fee de-regulation. The resulting increases have forced students to take on punitive debts, take longer to complete their programs (because they are forced to work part-time to pay for higher tuition) or discourage potential students from entering the post-secondary education system at all.

From our perspective, if the Minister of Finance is interested in supporting an increased level of post-secondary training, the $90 million earmarked for the training tax credit would be better invested in the public post-secondary system than in a tax credit for employers.

In terms of simple equity, we have great difficulty accepting the premise that an employer tax credit is either a necessary or appropriate way to spend public money. The employer community received an enormous benefit in the form of lower corporate tax rates within months of the government's current mandate. The cost to taxpayers of that concession has been estimated to be close to $150 million per year.

The employer community also maintains virtual control of close to $80 million per year through its majority appointments on the Board of the Industry Training Authority. To now add another $90 million to this total raises serious questions about fiscal fairness and broader benefits to the public treasury.

Why should taxpayers support an additional $90 million concession to employers whose 'new model' for trades training – the Industry Training Authority – has failed to deliver the completed apprenticeships and certificates of qualification that the ITA was supposed to deliver? Since 2001, when the government scrapped the Industry Training and Apprenticeship Commission (ITAC), completion rates have dropped by close to 45%. That decline happened under an ITA governance structure dominated by employers. Even with tight control over ITA's annual budget of close to $80 million, the employer community has been unable to even maintain the training effort recorded under ITAC.

Despite that dismal track record, taxpayers are now being asked to effectively double the amount of public dollars that is either given to or controlled by employers in the hope that training outcomes would improve. It's unfortunate, but good public policy doesn't emerge from rewarding bad behaviour, and that's exactly what the training tax credit proposal would do.

It's important to note that there are many in the employer community who understand the value of training and who actively support their employees' efforts to acquire recognized, portable skills through apprenticeships, diplomas, degrees and certificate programs delivered through our public post-secondary education system. The value that those employers place in training has been quantified in a recent study released by the Canadian Apprenticeship Forum (CAF).

Although the study concentrated on the costs and benefits of the Red Seal apprenticeable trades, it has broader application to the entire question of employer investments in training. The study found that for every dollar an employer invested in apprenticeships and training, there was a $1.38 benefit before tax credits that accrued to the employer in the form of improved productivity and lower employee turnover.

From our perspective, the CAF raises a very serious public policy question for the Minister of Finance. Why would the provincial government want to provide a tax credit to employers for training when reliable evidence shows that employers who invest their own money in apprenticeships, for example, gain at 38% return on that investment?

Against the backdrop of the CAF study, the Minister's training tax credit program will simply enrich an investment that already has a very positive rate of return. Moreover, the "double benefit' flows specifically to employers. In fact, unless the tax credit is tightly restricted to training outcomes that are at least recognized inter-provincially, the employee receiving the training might actually be worse off because their training would limit, not enhance, their mobility.

Our Federation asks the Minister to postpone her plans for the training tax credit. We ask that she consider other options for the $90 million she has earmarked for this program. We applaud her interest in the issue of training and we recognize that better training outcomes will take considerable collaboration between employers, workers, and post-secondary institutions.

We are prepared to work with the Minister to re-draft her initial plans for increasing the training effort across the province. We believe that those efforts need to start from the view that training is an investment in an individual worker, not an employer. It is also an investment that needs to utilize the significant public post-secondary education infrastructure that has been established in our province.

By way of summary, we would ask that Minster to consider the following six recommendations as she assesses how best to invest the $90 million set aside for training:

1. Use the $90 million to make targeted funding improvements in programs currently delivered through the public post-secondary education system. Programs such as Adult Basic Education (ABE) that have suffered because of tuition fee hikes and lack of targeted funding. These programs provide an important entry point for adult learners who are trying to upgrade their skills. Investing even a portion of the $90 million in these programs would be a wise policy choice for a government keen to address the current skills shortage.

2. Use the $90 million to improve core funding to BC's public post-secondary education system. Real per-student funding across the post-secondary system (measured in 2001 dollars) has dropped from $8,930 in 2001 to $7,960 in 2005/06. Although $90 million~~s~~ would not be enough to bring funding back to 2001 levels, it would be an important first step.

3. Use the $90 million to help lower tuition fees for students. Skyrocketing tuition fees have either discouraged potential students from post-secondary education or saddled those in the system with mounting debts. Neither outcome works for our province, and the $90 million could begin to reverse the damage caused by de-regulated tuition fees.

4. Use the $90 million to strengthen student support services within the public post-secondary education system. Basic services such as counselling have been scaled back as institutions struggle with real declines in per-student funding.

5. Use the $90 million to better fund entry-level and apprenticeship programs currently delivered at BC's universities, university colleges, community colleges and training institutes. Under-funding of these programs has created waitlists for some programs and reductions in course offerings in others.

6. Use the $90 million to provide a more effective student grant program. Student debt is climbing as a result of skyrocketing tuitions and a more effective student grant program would provide some relief for students from low-income families.

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