Summative Evaluation of Work Sharing While Learning and Increased Referrals to Training

Final Report

EI Evaluation
Audit and Evaluation Directorate
Strategic Policy and Planning Branch
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Table of Contents

List of Charts

List of Exhibits

Executive Summary

In October of 2002, the former Human Resources Development Canada (HRDC) announced that it would participate in a $246.5 million initiative to support workers and communities in regions of high unemployment. The $71 million HRDC contribution consisted primarily of three components: Work Sharing While Learning (WSWL), Increased Referrals to Training (IRT) and the extension of the Older Workers Pilot Project Initiative (OWPPI).

The first two initiatives form the focus of this evaluation. To date, however, participation in these two programs has been very limited. Therefore, this evaluation has focused on explaining the reasons for the low take-up, rather than on traditional evaluation issues related to program impacts and outcomes. The current evaluation seeks to provide lessons for consideration in future policy development.

The following is an interim report on the evaluation of the WSWL and IRT programs. The evaluation derived its results from three lines of evidence: a literature review, a report by a panel of labour market experts, and a report assessing the need for these programs by the softwood lumber industry.

Main Findings

WSWL

As of March 2004, there have been no signed WSWL agreements. The evaluation identified some of the possible reasons for the lack of participation:

- Companies may be unable to pay for training of a large portion of their workforce when they are going through a period of reduced output associated with the potential for layoff.
- Companies may often find it impossible to make use of structured training courses:
  - It was found that, under the regular Work Sharing program, companies often vary their production and workforce utilization from week to week in an unpredictable manner, thus making scheduling training for a fixed day per week difficult.
  - A large portion of the training that is typically done by Canadian companies is “on-the-job.” Thus, companies may not have a need for the type of formal training envisioned by WSWL.
- Workers, especially those who are not likely to face layoffs by reason of seniority, may be unwilling to accept a drop in wages if they are not compensated with increased time off.

IRT

IRT targets workers, who are facing job loss in high unemployment regions, with the prospect of completing a Return to Work Action Plan and collecting EI benefits while undergoing a training course. As of March 2004, the EI database identifies only 36 claimants who had been targeted by the two variants of IRT:

- The first variant allows workers to quit their job to take a training course without loss of EI benefits. Only 14 workers have been authorized to quit.
- The second variant includes workers who are encouraged to take training under this initiative, but who are not authorized to quit. Only 22 workers participated in this variant.

- The first variant of allowing earlier adjustment to a layoff situation through authorizing workers to quit their jobs to take training courses appears to be a sound intervention conceptually. However, the panel of experts was puzzled as to what constitutes the second variant. In particular, it was not clear what “encouragement” was provided to increase the take-up of training.
- The evaluation identified several potential reasons for the low IRT participation:
  - Workers may not be willing to quit their current job:
    - i. if post-training employment prospects are not good;
    - ii. if they might miss out on a negotiated severance package; or
    - iii. if staying at the current job allows them to maximize their subsequent EI entitlement.
  - Workers may be less interested in training:
    - i. if they live in high unemployment regions where post-training employment prospects are not good; or
    - ii. if they live in rural regions where training opportunities are more difficult to make use of.

Management Response

In October of 2002, the former Human Resources Development Canada announced that it would participate in a $246.5 million initiative to support workers and communities in regions of high unemployment. Two of the initiatives announced were the Work-Sharing While Learning (WSWL) Program and Increased Referral to Training (IRT) measure. In 2004, the Audit and Evaluation Branch of Human Resources and Skills Development Canada undertook an evaluation of these initiatives. Unlike traditional evaluations, this evaluation seeks to explain the reasons for the limited participation in both initiatives. Departmental representatives from program areas at National Headquarters have reviewed the evaluation and believe the reasons for this lack of participation are accurately reflected in the report and will take the observations into consideration for future policy and program development.

WSWL

The program area agrees with the observations raised in the evaluation on the lack of program take up. The evaluation has determined that many companies may not be able to pay for training a large portion of their workforce when they are going through a period of reduced output associated with the potential for layoff.

It is understandable that many companies may often find it impossible to make use of structured training courses, especially when it is known that, under the regular Work-Sharing (WS) program, companies often vary their production and workforce utilization from week to week in an unpredictable manner, thus making scheduled training for a fixed day per week difficult. The evaluation also noted that a large portion of the training that is typically done by Canadian companies is "on-the-job." Thus, companies may not have a need for the type of formal training envisioned by WSWL.

It should be noted that training paid for by the employer was always possible under the regular WS program. The major difference with the WSWL program was the possibility of signing an agreement for 52 weeks with the possibility of an additional 52 week extension, however, even with this extended period of entitlement the program received no take up.

An extensive advertising campaign was undertaken at the time of the WSWL program's launch where 167,000 information kits were mailed to employers in the regional economic areas of 10 percent unemployment or greater. An additional 40,000 information kits were also distributed to employers in the Greater Montreal Area once they reached an unemployment rate of 10 percent. Even with every effort being made to ensure that employers undergoing restructuring were made aware of the WSWL program there was no take-up.

IRT

The observations that were brought forward in the evaluation as to the lack of participation in the IRT initiative are valid. It is important to note that under this measure, the intent was to encourage and assist more workers who were facing job loss and who worked in areas of high unemployment to take proactive steps toward obtaining the necessary skills for securing new and different employment within existing departmental programs.

Authorizing workers to quit their jobs was only done in situations in which lay-offs were imminent and training courses commenced prior to the date of lay-off. For those workers who were authorized to quit, there may have been reluctance on their part to do so. Some reasons for this may include:

- re-employment prospects are poor in high unemployment regions;
- workers may miss out on any negotiated severance package if they quit their jobs early; and
- an extra few weeks of work might maximize the workers' entitlement to subsequent Employment Insurance benefits.

Another reason for the lack of take-up in the IRT measure could have been that the target population for the measure may have simply been a difficult one to encourage to train. In the geographic areas where participation in the measure could have been allowed, few training opportunities exist and post-training job opportunities are limited.

With respect to the observation on the effort in making workers aware of the IRT initiative, it has been noted that the marketing of the measure may have been insignificant. In the future, the department could have a more coherent communication plan which addresses visibility on the department's web-site and dissemination of information to staff and stakeholders.

It is important to note that the IRT initiative was to encourage and assist more workers who were facing job loss and who work in areas of high unemployment to take proactive steps toward obtaining the necessary skills for securing new and different employment within existing departmental programs. Authorizing workers to quit their jobs was only done in situations where the steps that were necessary in obtaining the necessary skills for securing new and different employment commenced prior to the date of imminent lay-off.

1. Introduction

In October of 2002, Human Resources Development Canada[1] (HRDC) announced that it would participate in a $246.5 million Government of Canada initiative to support workers and communities in regions of high unemployment. The $71 million HRSDC portion was composed of three primary components:

- Work Sharing While Learning (WSWL) – This new program adds a training component to the traditional Work Sharing program and targets firms facing a structural downturn;
- Increased Referrals to Training (IRT) – This new initiative is intended to test and evaluate the effects of referring more individuals to training when they are facing job loss; and
- Older Workers Pilot Projects Initiative (OWPPI) – A series of pilot projects, designed to encourage labour force attachment on the part of older workers, was extended until March 31, 2004.

WSWL and IRT are evaluated separately from OWPPI, since OWPPI was already underway at the time of the announcement and already had an evaluation strategy in place. However, participation in WSWL and IRT was very limited at the time of the project planning (October 2003). Therefore, it was proposed that the evaluation be conducted in two phases. Phase I explores the reasons for the low take-up of the two programs. If participation in the programs increases sufficiently to warrant a more complete evaluation, Phase II is to examine traditional evaluation issues such as program outcomes and impacts. To date (March 2004), participation remains very low, and it seems unlikely that the Phase II portion of the evaluation will be warranted.

This report presents the findings of Phase I of the evaluation of WSWL and IRT. It focuses on explaining the reasons for the lack of program take-up in order to provide lessons for future policy development. In the following section, the two programs are described. The third section presents the evaluation questions and the lines of evidence used to answer them. The fourth section presents the findings. The fifth and final section presents a summary and conclusions.

[1] HRDC has since been split into two departments : Human Resources and Skills Development Canada (HRSDC) and Social Development Canada (SDC). Responsibility for the EI system, including WSWL and IRT, rests with HRSDC. Henceforth, we will refer to the programs as being located in HRSDC, although the original Evaluation Questions and Logic Models have been used, which name HRDC.

2. Program Descriptions

2.1 WSWL

The Work Sharing While Learning (WSWL) program initiative, announced in October 2002, targeted not only the softwood lumber industry but other industries in regions of high unemployment (higher than 10 percent). Unlike regular Work Sharing, which is designed for firms facing a temporary downturn, WSWL is designed for firms that are facing a more permanent structural change. Companies must be confronted with major downturns, beyond their direct control, that require them to undertake major restructuring to remain viable. WSWL is a pan-Canadian initiative delivered by HRSDC staff. The WSWL initiative has two objectives:

- to reduce or avert layoffs; and
- to encourage investment in employee skill development through retraining.

Employees of firms with a WSWL agreement will have access to EI benefits for up to one year while attending employer-funded training. Under exceptional circumstances, these agreements may be extended to as long as 104 weeks.

Upon entering into a WSWL agreement, employees in an affected WSWL unit would work reduced hours as the employer implements a restructuring plan to ensure the company's viability. As part of the restructuring plan, the employer must identify their specific employee retraining needs and these must be related to the employer's workforce skill needs. The employer must fund the training of the employees selected for the WSWL program. The employees will receive EI benefits for the hours that they are not working, but must participate in workplace training during this time.

To be eligible, the employer must demonstrate that:

- they will face a 20-60% reduction in business;
- they will be undertaking significant restructuring;
- they will fund significant, incremental training of their employees;
- layoffs are the alternative option at the WSWL site;
- they have been operating in Canada for at least two years; and
- union or employee representatives agree to WSWL.

To be eligible, the employee of the restructuring company must:

- be eligible to collect EI;
- be in a designated position requiring skills retraining in support of company restructuring; and
- agree to participate.

The WSWL unit must consist of two or more employees; there is no maximum number of employees. The restructuring company can make permanent layoffs but cannot include in the layoffs members of the WSWL unit. In turn, the participating employees may be full-time, part-time, or seasonal.

A WSWL agreement with a company does not preclude that company from participating in other HRSDC programs. There may, however, be certain restrictions. For example, the employer may have signed a Labour Market Partnership (LMP) agreement but the LMP cannot be used to cover the costs of the actual training and the other associated costs (books, travel) under the WSWL program.

The company, in applying for a WSWL agreement, must provide a feasible and realistic industrial restructuring plan that includes defined strategic outcomes, evidence of confirmed financing, and a human resource (HR) development plan. HRSDC staff will assess only the HR development plan and its training options.

The training plan must be directly linked to and in support of the company's restructuring activities. The training plan must identify:

- the type of training;
- who will be trained;
- how the training will be provided;
- the cost of training;
- training timelines; and
- evidence of support for training by employees/unions.

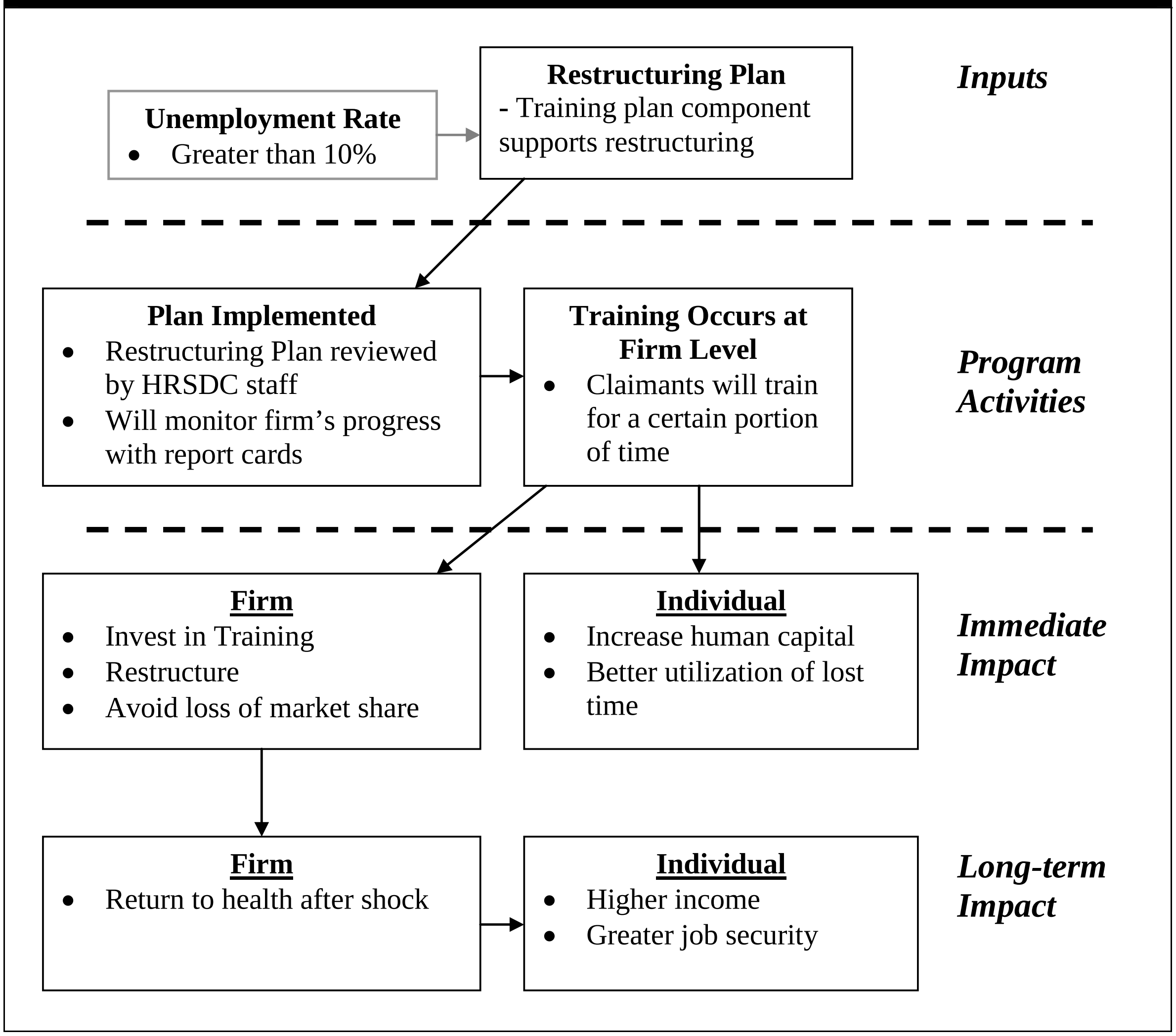
The workplace training provided to a participating employee must be significant and incremental and not part of the company's ongoing operational needs (e.g. safety training). The workplace training can be purchased and delivered by the company, a union, a community partner, or a combination thereof and be offered to the employee on or off the company premises.

The training offered to employees must constitute at least 30% of the reduced hours for which employees are receiving EI benefits, or a minimum average of 4 hours per person per week, whichever is greater.

Figure 1 links the inputs of the WSWL program to activities and to intermediate and long-term impacts. For HRSDC program managers, the major output of the program will be the number and value of the WSWL agreements reached. The expected outcomes include, in the intermediate term:

- enhanced skills for employees;
- avoidance or reduction of layoffs;
- companies stay in business; and
- increased financial support for training by businesses.

Figure 1
Logic Model WSWL



To date (March 2004), there have not been any signed WSWL agreements, and thus no participation. However, program management made a significant effort to make companies aware of the new program. The Employment Programs Branch of HRSDC sent out roughly 167,000 flyers to employers in affected regions across Canada. These mail-outs described the WSWL program and provided frequently-asked questions and answers. A further mail-out of 40,000 pamphlets is currently being undertaken in the economic region of Montreal, which recently crossed above a 10 percent unemployment rate.

2.2 IRT

The Increased Referrals to Training (IRT) initiative is intended to encourage and assist more workers who are facing job loss and who work in areas of high unemployment to take proactive steps toward obtaining the necessary skills for securing new and different employment. Figure 2 outlines the links between the training decision, program activities, and the intermediate and long term impacts, based on documentation available to the Program Evaluation Directorate.

To be eligible for EI benefits under this initiative, individuals are targeted for increased referrals to training if they meet <u>all</u> of the following conditions:

- they work in an eligible EI economic region, one with an unemployment rate of 10 percent or higher;
- the employees are facing imminent job loss; and
- a lack of marketable skills has been identified as a barrier to future re-employment.

Individuals are considered to be facing imminent job loss if they have received a layoff notice that is permanent, or for at least 6 months, or if there is documented evidence that their employment will soon be terminated (e.g. the announcement of a plant closure). Individuals who are facing job loss must be qualified for EI or qualify as a "Reachback" client.

These individuals confronting imminent job loss must consult with a case manager (either a HRCC counsellor or EAS service provider) and must develop a Return To Work Action Plan (RTWAP). Furthermore, before they are approved for Employment Benefits and Support Measures (EBSM's), they must have been accepted into a training program that is supported by their RTWAP and which allows them to move to new and different employment upon successful completion.

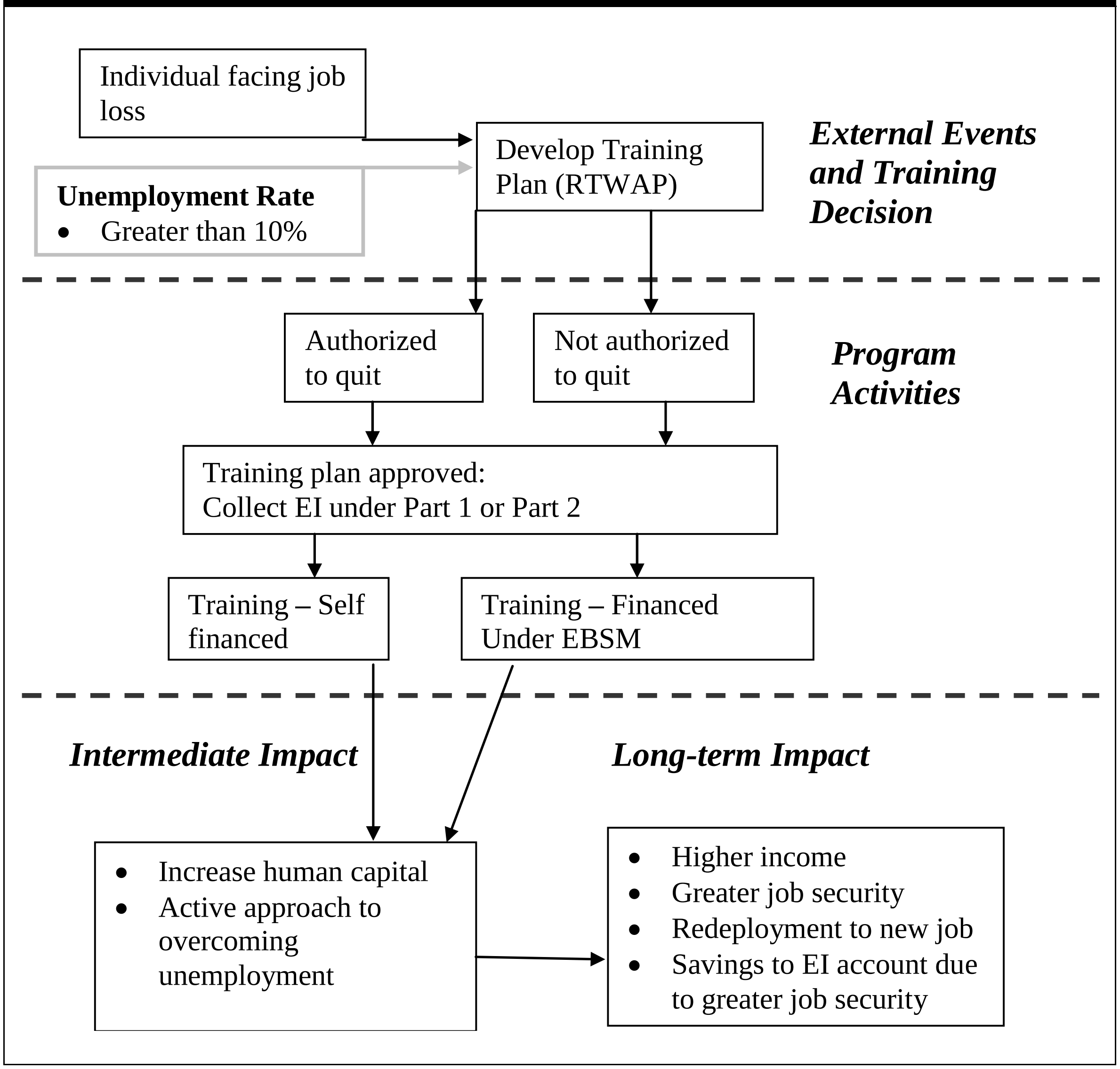
HRSDC officials with delegated authority under the *EI Act*, in these exceptional circumstances of imminent job loss, can authorize individuals to quit their current employment to participate in a training program and to seek new work, when the start date of the training program precedes the expected layoff date. Quitting employment in these cases would be considered *just cause* for the purposes of the *EI Act* and would therefore not disqualify the individual when he or she applies for EI benefits.

The EI databank tracks two variants of IRT, both of which would have differing economic implications:

I. individuals who are facing job loss and are authorized to quit their employment to participate in a training intervention that started before their anticipated layoff date (coded as “R” in the EI Database Status Vector – reason for separation); and

II. individuals who were facing job loss who receive a referral to training but are not authorized to quit their employment as the training intervention started subsequent to their anticipated layoff date (coded as “V” in the EI Status Vector – reason for separation).

Figure 2
Logic Model IRT



As of March 2004, the EI database has recorded 14 IRT participants who were authorized to quit and 22 participants who were not authorized to quit. None of these participants were from the softwood lumber industry. The database is also tracking two potential comparison groups, with the same characteristics as those above, but in regions of less than 10% unemployment. There are actually slightly more of these "non-participants" from low unemployment regions.

3. Scope of Evaluation

3.1 Evaluation Questions

Traditionally, evaluations focus on the objectives, outcomes and achievements, and impacts of programs. In this case, however, the two programs have virtually no participation, thus an assessment of their impacts is impossible. Instead, this evaluation has focussed on explaining the possible reasons for a known outcome: the lack of participation in the programs. Thus, the overall scope of the evaluation is considerably reduced as compared to if the program had a large number of participants.

Five evaluation questions were developed with respect to the low level of participation. The questions follow a progression exploring possible reasons for the low take-up. The first, a traditional evaluation question, focuses on the rationales of the programs:

- *Q-1: Are the rationales of WSWL and IRT relevant and why?*

Assuming the first question is answered in the affirmative, and the rationales are valid, the next question relates to the awareness of the initiatives by the targeted firms and workers:

- *Q-2: Are softwood lumber companies and employees aware of the availability of WSWL and IRT?*

Again, assuming affirmative answers to the first two questions, the next question relates to specific reasons why firms or workers might not have participated in the two programs:

- *Q-3: Are there specific aspects of WSWL and IRT that companies and workers find unattractive?*

The fourth question relates to the possibility that the softwood lumber industry was not as badly impacted by external trade events as had been thought, and thus might not have needed the new programming:

- *Q-4: What has been the state of the softwood lumber industry since the imposition of countervailing and antidumping duties, and since the introduction of the Softwood Lumber Initiative?*

A final possibility is that the softwood lumber industry simply found the traditional programming of HRSDC to be more attractive than the new programs. This leads to the fifth and final question:

- *Q-5: Are companies or employees from the softwood lumber industry making use of other programs provided by HRDC?*

3.2 Lines of Evidence

In order to provide answers to the evaluation questions, the methodology document proposed using four lines of evidence. The initial methodology document proposed conducting interviews with representatives of the softwood industry. However, after the completion of the other three lines of evidence, it was felt that these interviews were unnecessary. Thus, this report synthesizes the results of three lines of evidence. In addition, a short note was written describing the lack of take-up of the programs and the tracking of the take-up in the EI database. All of the completed reports, as well as the methodology document, are listed in Appendix 1.

Literature Review

As a first step toward the evaluation, a literature review was conducted. The document attempts to shed light on the reasons for the low take-up of the programs by examining the economic literature. It focussed on the motivations for firms and workers to undertake the programs.

Panel of Labour Market Experts

A panel of experts was assembled in order to discuss the economic rationale of the two programs and the potential reasons for the low take-up of the programs. The panel was composed of four leading academics in the field including:

- one of the foremost experts on labour market and training programs;
- one of the original developers of the regular Work Sharing program;
- a labour market expert who acted as a consultant for the evaluation of the regular Work Sharing program; and
- an expert on international work sharing programs.

The panel spent a day discussing the issues and then provided a report on their views.

Softwood Industry Analysis / Administrative Data Analysis

This document explores the health and employment levels in the softwood lumber industry. It uses various data sources including the Labour Force Survey, the Survey of Employment, Payrolls, and Hours (SEPH), data series from the Statistics Canada's CANSIM database, and HRSDC's EI database.

Linking Questions to Lines of Evidence

Table 1 links the evaluation questions to the line of evidence used to answer them. The next section will present the findings of these lines of evidence for each question.

Table 1
Evaluation Questions and Proposed Lines of Evidence

Evaluation Questions	Lines of Evidence
Q-1: Are the rationales of WSWL and IRT relevant and why?	Literature Review Panel of Labour Market Experts
Q-2: Are softwood lumber companies and employees aware of the availability of WSWL and IRT?	No direct evidence on level of awareness, but evidence of efforts made to inform potential participants.
Q-3: Are there specific aspects of WSWL or IRT that companies or workers find unattractive?	Literature Review Panel of Labour Market Experts
Q-4: What has been the state of the softwood lumber industry since the imposition of countervailing and anti-dumping duties, and since the introduction of the Softwood Lumber Initiative?	Industry Analysis / Administrative File Analysis
Q-5: Are companies or employees from the softwood lumber industry making use of other programs provided by HRDC?	Industry Analysis / Administrative File Analysis

4. Evaluation Findings

4.1 Findings on WSWL

Findings related to Q-1 – The Rationale for WSWL

The overall rationale of WSWL is twofold: reduce or avert layoffs, and encourage investment in employee retraining. The panel of experts was supportive of both of these goals, and was thus initially supportive of the concept of the WSWL program. However, after careful consideration of the features of WSWL, the panel identified a number of details that are likely to be problematic for programs that seek to link training and work sharing.

When assessing the rationale for a program, evaluators typically ask what would happen if the program did not exist. In the case of WSWL, one must consider the restructuring process of a firm. Presumably, without the WSWL program, a restructuring firm would lay off the workers who no longer had the required skill set in the new restructured firm. The firm would then, in order to complete the restructuring, be forced to hire new workers who did have the required skill set. In contrast, under the WSWL program, the firm would retrain its existing workers for the new positions. Thus, the WSWL program makes the implicit assumption that it is preferable for a firm to retrain its existing workforce for the new jobs, rather than lay off the current workers and hire new ones.[2] However, WSWL is restricted to high unemployment regions where new workers with the required skill set may be prevalent in the pool of unemployed workers. Companies may therefore find it easier to hire new employees rather than retrain their current employees.

A simple example of how WSWL might work illustrates some of the other potential difficulties with the program. Suppose a firm faces a downturn in demand for its product of 20 percent. The firm plans to restructure its operations in order to increase sales. Suppose 100 workers make up the "work unit" and because of the necessary restructuring the firm plans to lay off 20 of them. To complete the restructuring, the firm will hire 20 new workers who have the new skill set required for the restructured firm.[3]

Under the WSWL program, the firm does not lay off the 20 workers. Instead, it reduces the working hours of all 100 workers by one day per week. During this time, the entire work unit is expected to undertake training during the off day. At the end of the training, the restructured firm will increase its production back to levels where it can fully employ these workers.

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2 While this second option may, in fact, be preferable, there has been no discussion in the WSWL policy documents as to why it is preferable.

3 There is no reason why the number of workers to be laid off should correspond to the number of new workers to be hired. However, if it does not, it makes the case for WSWL even more difficult.

Two questions emerge from this example. The first relates to the number of workers who receive training. The WSWL program assumes that all workers in the work unit require training in order for the firm to restructure, but this is not necessarily the case. It seems likely that the 20 workers who would otherwise be laid off are those who are most in need of training, while the 80 workers who would not have been laid off may have little or no training needs. If only a portion of the workers needs retraining, it is not clear what to do about the workers who do not. The firm could leave these workers out of the WSWL agreement, so that they continue working full time, but this would increase the required work reduction in the rest of the work unit. One could potentially envisage a situation where there were concurrent regular Work Sharing and WSWL agreements for those who do and do not require training. However, this situation would be very complicated, as the 20 workers who would otherwise be laid off would likely all be in the WSWL agreement (since they are the most likely to require training), leaving the regular Work Sharing agreement filled with workers for whom no layoff was intended.

The second question relates to the timing of the process. WSWL, which requires a significant restructuring of the firm's operations, is suitable if the structural change in demand for the firm's product is expected to be permanent. The panel of experts points out, however, that the duration of a firm's downturn in demand (i.e. whether or not it is permanent) is often highly uncertain. Taking the softwood lumber industry, for example, there is considerable uncertainty as to when the duties will be lifted and exports return to normal. Formal training courses, on the other hand, normally require a fixed amount of time to be completed. Thus, it could be quite unlikely that the duration of the training matches the duration that the firm will require decreased production. The panel of experts felt that, if disruptions to the softwood lumber industry are viewed as temporary, then restructuring would not be required and regular Work Sharing would be more appropriate than WSWL (of course, WSWL provides a longer period of benefits).

Findings Related to Q-3 – Attractiveness of WSWL to Firms and Workers

Attractiveness to Firms

The review of the policy and economic literature found that previous experiments with linking the Work Sharing program and training have also met with low levels of take-up. Previous evaluations of the Work Sharing program in 1984 and 1993 both noted that such experiments had levels of participation too low to include the option in the overall evaluation. To date, WSWL has had no participants.

Because of the low take-up, it may be that there are specific aspects of WSWL that may make it less attractive to firms. From the perspective of the firm, the cost of the training may be a major inhibiting factor. Training a large work unit is often quite expensive, and Canadian firms are not known for spending large amounts on formal structured training. Most employer training is on-the-job and informal. Under WSWL, companies are required to invest significantly in training at a time when they can least afford it: when they are on the verge of layoffs. This may be especially difficult in regions of high unemployment, where WSWL has been targeted.

Another potential problem for firms is that scheduling the training for one or two days per week can be difficult to balance with the need for flexibility in production. With regular Work Sharing agreements, for example, the utilization rate often varies from week to week in an unpredictable manner, thus making scheduling training difficult. However, training typically requires a fixed schedule.

The company may thus see other alternatives as being more attractive than WSWL. As mentioned above, it could simply lay off the workers and hire new workers. Or, it could use the regular Work Sharing program. From the firm's perspective, there is nothing stopping it from doing some training of its workers during a regular Work Sharing agreement, but there is no requirement that it must do so. The only negative aspect of Work Sharing compared to WSWL, from a firm's perspective, is that the duration of a Work Sharing agreement can only be six months as opposed to a year.

Attractiveness to Workers

There may also be aspects of WSWL that make it less attractive to workers. Work Sharing requires that senior workers, who are unlikely to be laid off, accept a decrease in working time and salary in order to avoid the layoffs of the more junior staff. One of the benefits they receive for doing this is the fact that they receive extra time off from work. It is possible that senior workers may not be willing to participate in a WSWL agreement since, in spite of receiving lower income, they are expected to undertake training rather than receiving the extra time off.

While this is especially true of more senior workers, based on a recent evaluation of the regular Work Sharing program, almost all Work Sharing participants in focus groups felt that they should be allowed to do what they want during their day off since they are not being paid for it by the company. They felt it was unfair to expect them to receive decreased income without being compensated with time off.

4.2 Findings on IRT

Findings Related to Q-1 – The Rationale of IRT

The literature review, quoting the various drafts of the IRT policy document, points out that the thrust of the IRT initiative went through some changes from its initial conception. Initially, based on the policy documents provided to Program Evaluation,[4] the program was conceived of being just the increased use of the authorization to quit. However, the final description of the initiative described it more as a general retargeting of workers with pre-existing training programs. Authorization to quit was still an option, but it was no longer the major thrust of the initiative.

[4] See Appendix 1 for the list of documents on which the programs are described.

The panel of experts was generally enthusiastic about the idea of encouraging early planning on the part of workers in the face of future layoffs. The experts cited previous research which shows the benefits of, for example, increased notice to workers prior to a layoff. Increasing the notice of a forthcoming layoff allows workers to begin their job search earlier. Thus, instead of all of the workers being laid off suddenly and at the same time, some of the workers will have already moved to new jobs. This allows the labour market a greater period of time to absorb the available workers. IRT could be viewed similarly as an attempt to allow earlier adjustment to a layoff situation.

In spite of their general enthusiasm for the concept, the expert panel was puzzled as to what exactly the IRT program provides in the case of workers who are not authorized to quit their jobs. It is not clear what these workers receive from the IRT initiative that they could not have received prior to the initiative. It seems as though the IRT initiative makes it more likely that training is provided to workers with the three characteristics described in section 2.2, as opposed to other workers. The question that one then asks is: if IRT is really just a retargeting of who gets training, with no overall increase in EI Part II dollars, who is it who is expected to get *less* training than previously?

There was, however, additional EI Part 1 money requested for the IRT initiative. The panel of experts was uncertain as to why this money was required. Under the authorization to quit option, a claimant receives benefits earlier than otherwise, but presumably would have collected the same amount of benefits at a later date if there were no IRT initiative. No documentation was provided to Program Evaluation on how these funds were allocated.

Findings Related to Q-3 – Attractiveness of IRT to Firms and Workers

Authorization to Quit Option

In terms of its attractiveness to workers, several potential reasons were identified as to why the take-up of the IRT initiative may be low. The first three relate to the low take-up of the authorization to quit option.

First of all, IRT is targeted in regions of high unemployment. The expert panel pointed out that this means that opportunities for employment after the training period are likely to be limited. Thus, workers may feel that they are better off keeping their current job as long as possible, rather than quitting and betting on the possibility of finding a new job after the training. They could potentially sign up for the training after their existing job ends.

The expert panel also pointed out the possibility that a worker who quits prior to being laid off may miss out on any negotiated severance package that they otherwise may have received. The panel noted that unions often recommend staying with the firm as long as possible for exactly that reason.

Finally, the expert panel noted that from the worker's perspective, working as many weeks as possible at the current firm maximizes the worker's entitlement to EI benefits in case the subsequent unemployment spell is long in duration.

No Authorization to Quit

There are also potential reasons for the low take-up of IRT without the authorization to quit option. In this case, the review of the literature suggested the group targeted by IRT is simply a difficult group to convince to train.

Again, part of the difficulty may be the fact that IRT is targeted in regions of greater than 10 percent unemployment. Workers in regions of high unemployment are known to be less willing to train. This is primarily because of the reduced likelihood of finding a new job upon completion of the training program. The high unemployment regions are also more likely to be rural. Often, workers in rural areas are less likely to take training simply because fewer training opportunities exist in rural areas and often there are significantly higher time and travel costs for such training.

Furthermore, the demographics of the workers in the softwood industry in particular mean that they are less likely to train than the general population. In general, workers who invest in training are more likely to be young, female, and have a high level of education. Workers in the softwood lumber industry are slightly older than average, are predominantly male, and are less likely to have high levels of education. Also, because the softwood industry is highly seasonal, many workers have faced layoff many times during their careers and have previously been called back. Workers, believing that they will be called back once again, may not perceive the need to leave the industry.

A final point relating to the attractiveness to workers is the fact that in order to be considered for IRT, the potential candidates must take the initiative to visit a HRCC *prior* to having been laid off. Since the extent to which workers are aware of the IRT program is unknown, it is uncertain how many workers would know to visit the HRCC prior to the job loss.

Attractiveness to Firms

It appears as though the decision to enter the IRT initiative lies primarily with workers. If a worker is not authorized to quit, there seems to be no impact on the firm, and thus it is unlikely that the firm would exert any influence on the decision process.

Authorizing a worker to quit their employment may have some impact on the company if it still requires the workers for its operations. The IRT policy paper indicates that HRSDC staff should be "sensitive to the effects on employers of any authorization to quit." However, given the fact that the company has already indicated that it intends to lay the worker off in the near future, it seems unlikely that the company would have strong objections to the worker quitting. Thus, it seems unlikely that the low take-up of IRT relates to a lack of attractiveness to firms.

In spite of the fact that the firm is likely unaffected by the worker's decision regarding IRT, the amount of notice it gives to employees about the upcoming layoff could directly impact whether a worker enters the program. Since, in order to be eligible for IRT, workers must visit an HRCC after receiving notice of layoff but before being laid off, if an employer gives only a short amount of notice, it may be unlikely that workers will participate. Regulations regarding required notice vary by province and by the amount of time the worker has been on the job. There have been suggestions that firms are unwilling to announce layoffs until they believe it absolutely necessary.

4.3 Findings Related to the Softwood Lumber Industry

Findings Related to Q-4: The State of the Softwood Lumber Industry

While the WSWL and IRT programs were designed to be available to workers in all industries, they were done so with the difficulties faced by the softwood lumber industry in the background. As such, it is useful to examine the softwood lumber industry in more detail. The study, “Structural Analysis of the Labour Market Aspects of the Softwood Lumber Industry,” examines the state of the softwood lumber industry over the duration of the Softwood Lumber Agreement (SLA) with the United States, and since its subsequent expiry and the imposition of duties on Canadian exports of softwood lumber. Two industries, Logging, Forestry and Support, and Wood Manufacturing, are jointly considered to make up the softwood lumber industry.

The report describes how, after the SLA expired in March 2001, the United States imposed preliminary countervailing duties in August 2001. Preliminary antidumping duties were imposed in October 2001. The preliminary countervailing duties expired in December 2001. The US Department of Commerce made its final determination and re-imposed the countervailing and antidumping duties in May 2002. In October 2002, the Government of Canada announced its package intended to aid softwood lumber workers and communities, including the WSWL and IRT initiatives.

The study finds that the value of exports of softwood lumber declined substantially since the imposition of the duties. At the same time, however, domestic demand for softwood lumber was very strong as domestic housing starts reached an all time high.

The overall impact on employment in the industry is not clear. The report presents results from the Labour Force Survey (LFS) and the Survey of Employment, Payrolls, and Hours (SEPH). While both surveys provide similar estimates of the overall employment levels in the industry, they differ somewhat in terms of the trend since the imposition of the duties. Both surveys show a decline in employment in logging and forestry, although the SEPH shows more significant declines (as much as 23 percent from August 2000 to August 2002) than the LFS (around 10-15 percent). Both surveys show that employment in the industry is very seasonal, and results from the SEPH indicate that most of the loss in employment in logging and forestry was due to a decrease in hiring in the summer months rather than large increases in layoffs in the winter months.

In terms of the wood manufacturing industry, the SEPH shows a constant level of employment, whereas the LFS shows strong gains in employment. Thus, for the overall softwood industry, the SEPH shows a decline in employment since the expiry of the SLA and the imposition of countervailing and antidumping duties. The LFS shows slight gains: a slight loss in logging and forestry offset by strong gains in wood manufacturing.

The study also reports on the number of layoffs in the softwood industry as measured by HRSDC's Record of Employment (ROE) File. ROE's that were issued for the reason of "shortage of work" were relatively stable from year to year, although varied from season to season. There was an increase of about 5,000 layoffs from the fourth quarter of 2000 to the fourth quarter of 2001. The latter was just after the preliminary countervailing duties were imposed, and was also a time of generally poor economic performance. Otherwise, layoffs were at their traditional seasonal levels.

Anecdotal evidence suggests that the larger, more efficient, firms are tending to do better than, and are replacing the smaller firms. For example, a recent newspaper article[5] states that the forest products company, Canfor, recently opened the largest sawmill in the world in Houston, B.C. If it is indeed the case that large firms are replacing small firms, this could potentially result in greater likelihood of use of WSWL, since larger firms are known to do more training of their employees than do smaller firms.

Findings Related to Q-5: Use of Alternative Programs by Softwood

The extent to which firms and workers from the softwood lumber industry made use of other HRSDC programs was also examined. The most obvious alternative for workers laid off from the softwood lumber industry is to collect regular EI benefits. Like the employment situation in the softwood industry, the volume of EI claims is quite seasonal, rising significantly in the fourth quarter. From the fourth quarter of 2000 to the fourth quarter of 2001, the number of claims increased by about 5,000. As mentioned above, this was just after the imposition of the countervailing duties and corresponded to a period of generally poor economic conditions. After this time, layoffs were roughly at their traditional seasonal levels.

Softwood companies have made somewhat higher use of the regular Work Sharing program since the imposition of the duties. There have been roughly 4,400 Work Sharing claims from softwood workers since the imposition of the preliminary countervailing duties and 2,900 claims since the announcement of the WSWL program. The use of the Work Sharing program by all industries picked up to a similar extent over this time period.

Finally, the number of softwood workers receiving EI Part II money was examined. This number, in the range of 1,000 to 1,500 claimants per year, does not appear to have increased since the duties were imposed.

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5 "Canfor opens super sawmill," Montreal Gazette, Tuesday, Feb. 10, 2004 - http://www.canada.com/national/features/softwooddispute/story.html?id=217DD3CB-E08C-4D0A-90E8-2C954BAE9740

Findings Related to Q-2 – Awareness of WSWL and IRT

The extent to which the industry is aware of the two programs has not been fully assessed. However, there is evidence that the Employment Programs Branch, responsible for delivering WSWL, has made a significant effort to make companies aware of the availability of WSWL. Shortly after the launch of WSWL, EPB sent out roughly 167,000 pamphlets describing the program to companies in eligible regions. Currently, a further mail-out of 40,000 additional pamphlets is being sent to businesses in the economic region of Montreal, which recently became eligible due to its unemployment rate rising above 10 percent. In addition, information on WSWL is readily available on HRSDC's website and the Government of Canada website.

The IRT initiative is more difficult to find on HRSDC's website. In fact, the only mention of the initiative on the HRSDC website is the October 8, 2002 news release announcing the WSWL, IRT and the Older Workers Pilot Project Initiative. Although local HRSDC offices in the affected regions have been encouraged to promote the IRT measure, the extent to which they actively do so is unknown. The extent to which workers are aware of IRT is therefore unknown. Since, in order to be targeted by IRT, a worker must visit a HRCC prior to being laid off (since they must be *facing* job loss), a lack of knowledge of the measure may have contributed to the lack of uptake.

5. Summary & Conclusions

The evaluation of the Work Sharing While Learning and Increased Referrals to Training programs has focussed on explaining the reasons for the very low levels of participation in these two programs. It was intended to provide lessons for future policy development. It therefore explored questions related to the rationale and design of the programs as well as questions related to the need for the programs in the softwood lumber industry.

Since the take-up of the two programs remains low to date, it is unlikely that the proposed Phase II of the evaluation, which would have examined program impacts and outcomes, will be conducted.

WSWL

With respect to the WSWL program, the evaluation has raised several questions related to the program's rationale. Firstly, the WSWL program implicitly assumes that it is better if a company retrains its current workers rather than laying them off and hiring new workers for the restructured positions. However, a case has not been made as to why this is the preferred option or why a program should intervene to encourage it.

A second question relates to the WSWL requirement that all members of the work unit undertake training. In situations where only a portion of the work unit requires retraining, it is not clear what to do about the workers who do not.

From the perspective of the company, it is not clear that a company that is on the verge of laying off workers will be able to afford to pay for the training of a large portion of its workforce. Also, a firm might find it difficult to schedule training days for its workers when its week-to-week production schedule is uncertain and variable.

From the workers' perspective, regular Work Sharing participants have made it clear that, since the firm is not paying them, they consider the Work Sharing days off to be their own. They would be reluctant to give up this time for mandatory training. This is especially true in the case of senior workers who are unlikely to be laid off even without WSWL.

Although no direct evidence was collected on the awareness of companies of the WSWL program, it seems unlikely that lack of awareness is the cause for the low take-up. The Employment Programs Branch has made significant efforts to inform firms of the program including direct mail-outs to potential participants and a readily accessible description on the HRSDC website.

It has been suggested that if HRSDC were to pay for the training, firms might be more willing to participate in WSWL. However, a case has not been made as to whether the expected benefits of such an expanded program would warrant the large outlays of EI money that would be required from HRSDC.

IRT

Generally, the evaluation results suggest that the overall rationale of encouraging earlier adjustment to a layoff situation makes sense. In the case of participants who are authorized to quit their jobs, the rationale is fairly clear. However, there are a number of reasons that might still explain the low level of participation in the case of authorizations to quit.

Workers might be reluctant to quit their jobs for the following reasons, among others: re-employment prospects are poor in high unemployment regions; workers may miss out on any negotiated severance package if they quit their jobs early; working an extra few weeks might maximize the workers' entitlement to subsequent EI benefits.

In the case of workers who are not authorized to quit their jobs, it is not clear exactly what the IRT initiative provides. From the documentation provided to the Program Evaluation Directorate, such claimants do not appear to be eligible for substantially different treatment than prior to the IRT initiative.

It also seems as though the IRT target population may simply be a difficult one to encourage to train. Workers in high unemployment regions and rural regions are known to be less likely to train. This is both because of the lack of training opportunities and because of the lack of post-training job opportunities. In particular, the demographics of the softwood lumber industry workers make workers in the industry less likely than average to find training attractive.

It is also possible that lack of awareness of the IRT initiative on the part of workers may have contributed to the lack of participation. In order for a worker to be targeted under IRT, they must visit a HRCC prior to being laid off. If they were not aware of the initiative, they might not take the initiative to visit a HRCC until after they are laid off. The extent to which local HRSDC offices have promoted the IRT initiative to workers is unknown. Nor does there appear to have been an effort to make workers aware of the initiative on a national basis, and a description of IRT is difficult to find on HRSDC's internet website.

Softwood

An analysis of the impacts on the softwood lumber industry of the countervailing and antidumping duties was also conducted. To some extent the negative impact of the duties was offset by the strong domestic housing market. The overall impact on employment in the industry was measured differently depending on the survey instrument, with the Survey of Employment, Payrolls, and Hours indicating that employment had been significantly reduced since the duties, and the Labour Force survey showing a negligible impact.

HRSDC's own records show that layoffs and EI take-up were slightly higher than usual in the fourth quarter of 2001. Apart from this period, however, there were layoffs, but they were not higher than their typical seasonal levels. The regular Work Sharing program has been used by the industry fairly steadily. Receipt of EI Part II money was, and remains, low by workers from the industry.

Appendix 1
List of Documents

Technical Reports

Gray, D., M. Gunderson, D. Smith, and G. Swartz (February 2004) "*Work Sharing While Learning and Increased Referrals to Training: Report of the Panel of Experts*," Prepared for HRSDC

HRDC (October 2003) "*A Proposed Methodology for the Evaluation of the Softwood Lumber Initiative – Phase I*," EI Evaluation, Program Evaluation

HRDC (October 2003) "*Note on the Take-up of Work Sharing While Learning and Increased Referrals to Training*," EI Evaluation, Program Evaluation

HRSDC (March 2004) "*Literature Review for Work Sharing While Learning and Increased Referrals to Training*," EI Evaluation, Program Evaluation

HRSDC (March 2004) "*Structural Analysis of the Labour Market Aspects of the Softwood Lumber Industry*," EI Evaluation, Program Evaluation

Documents Used for Program Descriptions

HRDC (October 8, 2002) "*Human Resources Development Canada (HRDC) expands and enriches programs to assist the Canadian softwood lumber sector*," News Release, http://www.hrsdc.gc.ca/en/cs/comm/news/2002/021008b_back.shtml

HRDC (July 25, 2002) *"Policy Paper (Draft) – Increased Referrals to Training,"* - unpublished

HRDC (Feb. 3, 2003) *"Policy Paper (Final) – Increased Referrals to Training,"* - unpublished

HRDC (April 23, 2003) "Work Sharing While Learning Policy,"– unpublished.