

# AUSTERITY and its **ALTERNATIVES**



## An Impediment to Better Labour Market Outcomes

*Austerity and Canadian Active Labour Market Policy*

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# Introduction

- Relationship between Austerity and Active Labour Market Policy (ALMP) in Canada
- ALMP contingent on funding – federal transfers
- = short-term, low-cost interventions = poor LM outcomes
- Reconfigure state-market-citizen relationship



# Introduction

- Austerity an impediment to improved ALMP
- Correlates with cognitive impediment
- Cannot examine ALMP, common sense from public policy separate from austerity
- Snapshot of ongoing research into ALMP + austerity over past 20 years



# Austerity and ALMP

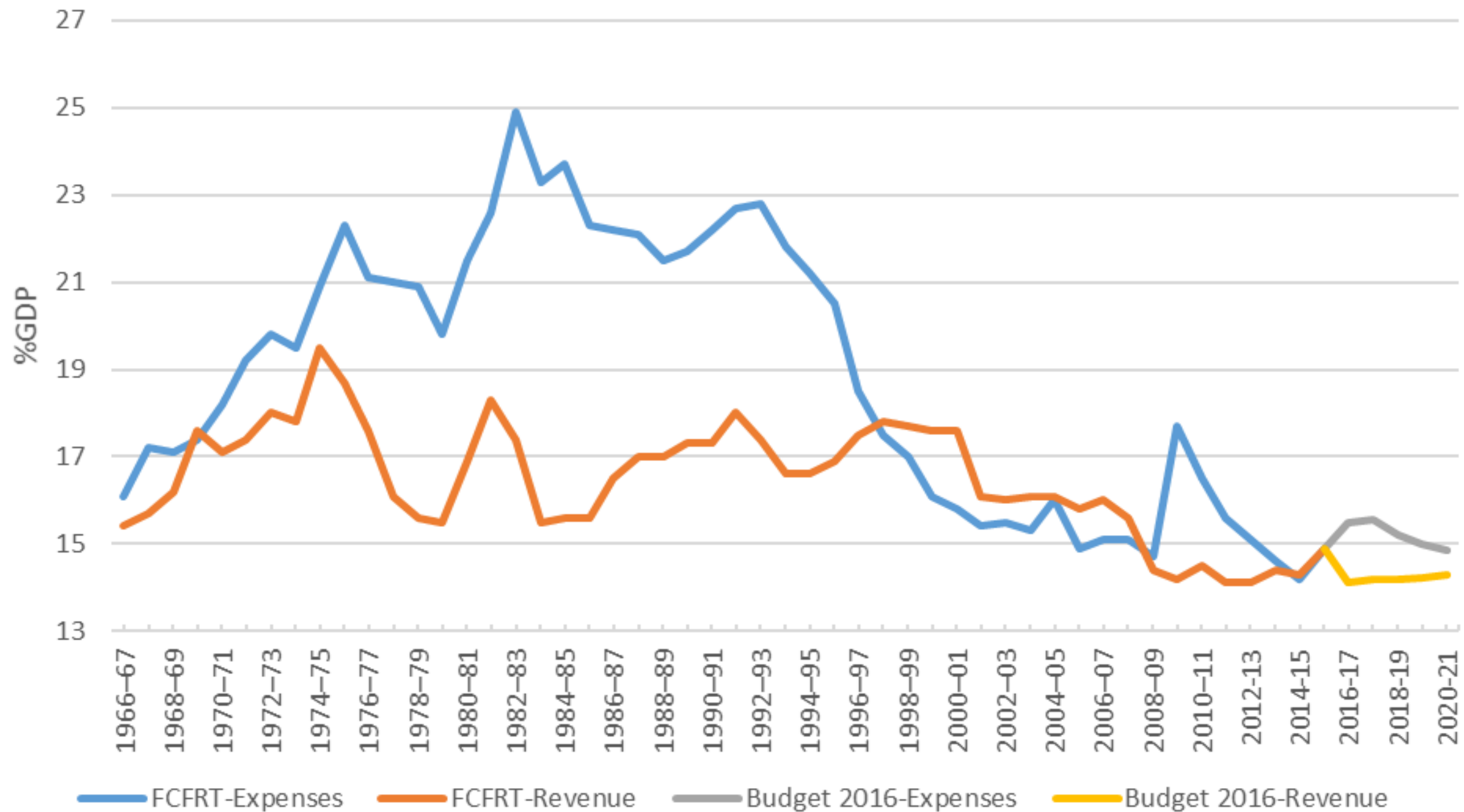
- Austerity = fiscal consolidation
  - Renewed interest post-2008
  - Arguments for: debt/deficits = slow growth, EFC
  - Structural Austerity, 'starve the beast'
  - Determines state's capacity to act



# Austerity and ALMP

- ALMP = supply, demand, matching
  - Retraining, education, match supply-demand, create demand (wage subsidies, public works)
  - Shared Fed-Prov, strong overlap
  - Significance: intervention in LM outcomes, addresses systematically and cyclically disadvantaged
- Austerity determines capacities of ALMP





# Canadian ALMP

- Growth until mid-1980s
- Afterwards took a supply-side and market efficiency orientation
  - Complementary to shifts in real economy
- Early to mid-1990s = federal austerity, international best practices, continued macro pressures
- Response was devolution, marketization, individualization



# Canadian ALMP

- 1995-96, devolution of ALMP to provinces
  - LMDAs – provincial design and implementation, federal funding
  - ~\$2bn, 2,600+ civil servants, and over 1,000 contracts with community service providers
  - 2007 LMAs – targeted programs for disadvantaged
  - 2013 CJFA took 60% of LMA funding, provided it for short-term workplace training for already employed

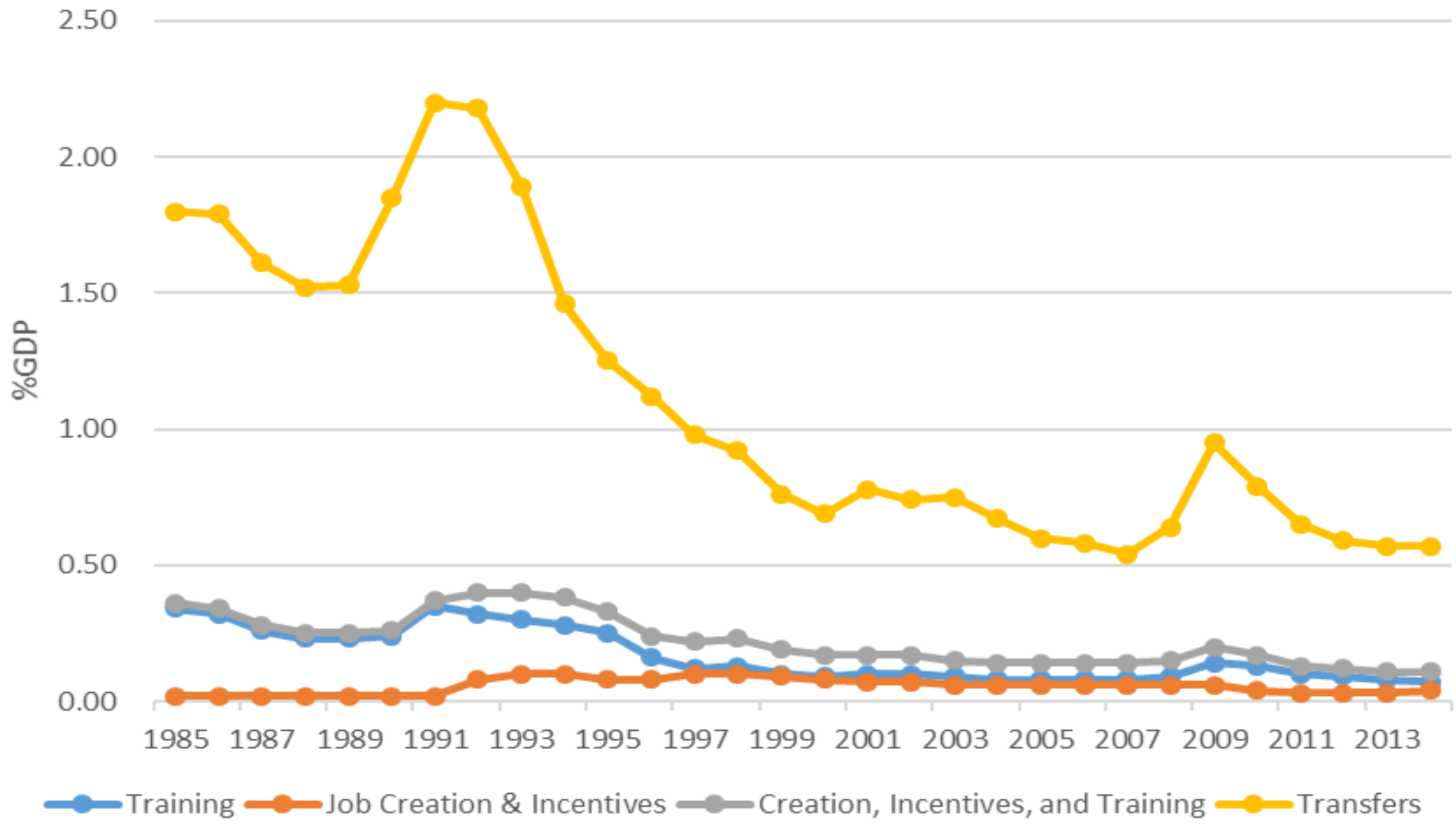




# Canadian ALMP

- 2016: 52 bilateral Fed-Prov, 84 Fed-Indigenous agreements, \$3.3bn
  - Ranked 27/31 in OECD ALMP Spending – 0.22%GDP in 2014
  - CDN ALMP expenditures dropped 50% 1996-2014
  - Response to 2008 financial crisis: 3% stimulus went to retraining and skill development





# Canadian ALMP

- Fed eval + international lit confirm training more effective in long-term LM outcomes
- However, CDN ALMP shifting toward cheaper 'short term interventions for quicker returns to work'
  - Increased 47.9% 2006-07, make up larger proportion of overall interventions
  - Job search assistance and related services – rapid-reattachment but poorer outcomes
- LMAs strong example of effectiveness of training:
  - 86% of those who took training employed after 2 years vs. only 44% without training
  - Average earnings increased \$323/week for those undergoing training
- Austerity makes more costly, but effective, interventions more difficult



# Impediments to Change, Cognition, and Common Sense

- Despite supply side shift, not a shift in resources to support
- Activation = individualization, devolution
- Austerity = reduced capacity for ALMP = less optimal LM outcomes



# Impediments to Change, Cognition, and Common Sense

- Solutions: many; slew of different ALMP
- Solutions to fiscal capacity? Again many – CCPA-AFB, CTF – in alternative revenue mechanisms/modifications to existing
- Challenge is political will = socially salient ideas + ‘common sense’
  - e.g. Mitrea 2017, Afara 2018
- Austerity rooted in very old ideas around disciplined consumption, hard work/effort, self-restraint
- Austerity haunts everyday political discussions





# Impediments to Change, Cognition, and Common Sense

- Austerity in some ways 'common sense'
- Future piece will explore this from a psychological perspective, how policy can cultivate 'automatic thought'
  - Everyday policy components like forms, apps, sites + cognitive mechanisms = more likely to develop common sense
  - Short term interventions already more popular and rely heavily on such everyday policy components
- Not that people have to 'believe in austerity', just that if they internalize what 'fiscal irresponsibility' is and that people have to answer for it = impediment to solutions to fiscal and then ALMP



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