

CANADIAN LABOUR MARKET AND SKILLS RESEARCHER NETWORK

GENERAL CALL FOR PROPOSALS

This is a Request for Proposals for research projects in a broad set of areas related to current Canadian policy challenges. The projects are being commissioned as part of the Canadian Labour Market and Skills Researcher Network (CLSRN) supported by Human Resources and Social Development Canada (HRSDC). The coordinators of this research program are Morley Gunderson (University of Toronto) and John Myles (University of Toronto).

Background, Context and Coverage

CLSRN plans to provide funding for projects in areas that are broadly consistent with a set of key research gaps identified by HRSDC. The specific areas that most closely match CLSRN's expertise are:

- 1) Learning Over the Life Course
- 2) Employment and Productivity
- 3) Income Security
- 4) Economic Participation and Social Inclusion

Topics in the areas of Family and Child Development, and Seniors and Retirement are also of interest and proposals in these areas will also be considered to the extent they focus on the relationship of these areas to skills development and the labour market. More details on HRSDC's research concerns and questions in the main areas of interest are provided in the Annex to this document.

Proposals in answer to the current call are not restricted to these areas. We are interested in high quality research projects in any area of policy relevant analysis as it pertains to the labour market, human capital development, or skills use. However, priority will be given to proposals that match the list of areas of interest.

To support evidence-based policy decision-making in Canada, CLSRN plans to provide funding for up to 15 research papers under this Call for Proposals.

For the purposes of research support, the product of the research will be peer-reviewed working papers. Copyright of the research papers remains with the author(s). The working papers will appear in the CLSRN research paper series, and may also be posted at the HRSDC web site. The findings may also be reported in HRSDC's research newsletter.

Proposal Selection Criteria

Proposals must involve new research that is not supported by other organizations. However, the proposed research may be related to, or an extension of, research supported elsewhere.

All proposals *and* papers will be peer reviewed. Academic reviewers will assess the quality of the proposed research and the potential contribution to knowledge. Representatives of selected Canadian government departments will assess proposals and papers for their policy relevance (broadly defined). Only proposals that meet both criteria – academic excellence and policy relevance – will be funded.

Proposals can be submitted by any university-based faculty or postdoctoral researcher. Graduate students can participate as co-investigators, but not as principal investigators. These research grants are not intended to support PhD theses research – CLSRN does this in other ways – and thus the proposed research should not be part of a graduate student's PhD thesis. Since one of the objectives of CLSRN is to help ensure the emergence of a new generation of researchers with an interest in labour market policy, proposals from new researchers from a range of disciplines are especially welcome. For established researchers, proposals that involve graduate students or recent graduates in a significant role are also encouraged.

Funded studies will generally provide new empirical evidence to support evidence-based policy decision-making in Canada. To that end, preference will be given to proposals either directly using Canadian data, or where lessons learned are clearly transferable to the Canadian context. They are to be of the quality of papers submitted to peer-reviewed, refereed journals and authors are encouraged to ultimately submit them to such forums (with appropriate acknowledgement to the funding source). The normal budget for such research studies is \$20,000 (plus GST, cost of Regional Data Centre (RDC) access, and / or university overhead if applicable). More ambitious projects using partnerships or teams of researchers will also be considered.

Government researchers are also invited to submit proposals, either as principal investigators or as co-investigators. However, government researchers are not eligible for financial support.

Schedule of Deliverables

Payments will normally be scheduled as follows: (i) upon submission of a preliminary outline for the paper, including planned methodology; (ii) upon submission of a satisfactory first draft; and (iii) upon submission of a satisfactory final draft and executive summary.

The timelines for the projects are as follows:

April 10, 2008	Proposals due
May 30, 2008	Researchers are informed of decision and given feedback from peer reviews
June 30, 2008	Preliminary outline of project due
October 31, 2008	First draft of paper due
February 28, 2009	Final draft (including revisions based on peer reviews) and executive summary due

Working papers are expected to be 20-40 pages in length, although they could be somewhat longer than this standard in order to provide sufficient detail on methods used and results obtained.

The researchers will also be expected to present the paper at one of the workshops that CLSRN will be organizing in the fall of 2008.

Proposal Requirements

The proposals can be brief (e.g., 5-6 pages) and can take the form of the proposed outline of the research paper or papers, along with methodological and budgetary information. Proposals and final working papers may be written in English or French. The proposal should outline the rationale for the study, situating it in the relevant literature and indicating the gaps in our knowledge that it proposes to fill. The proposal should also explain the relevance of the proposed research for public policy, bearing in mind the HRSDC mandate. Finally, the proposal should describe the data to be used and the proposed methodology. The CVs of all co-investigators should be included with the proposal.

The project budget can be used for any purposes deemed appropriate by the researchers to meet the legitimate expenses associated with carrying out the research. Such expenses can include: teaching or administrative release (at the relevant local university rates for such release); research assistance; researchers' stipends; data collection; and travel associated with conducting the research. For reasons addressed later in this Call, the costs associated with RDC access should not be included in the initial budget (though applicants are asked to indicate where RDC use will be required to complete the work). Funds for successful proposals can be transferred to the Principal Investigator's university, in which case the budget in the proposals can include university overhead up to a maximum of 25%. University signatures are not required on the proposal itself. The

payments can also be made directly to the researchers. Travel associated with presenting the paper at workshops and conferences organized by CLSRN will be covered separately. In all cases, and especially for funding requests beyond the base level of \$20,000, a justification of the budget should be provided.

If the proposed research is to be carried out in a Research Data Centre (RDC), applicants should note that proposals that are approved for funding by CLSRN will not also be required to go through the SSHRC review process that is normally required for RDC access. Such proposals will, however, still be reviewed by Statistics Canada. The Statistics Canada review focuses on two issues: (i) demonstrated need for access to confidential micro-data (i.e., could the proposed research be carried out with public use data?) and (ii) whether the available data are capable of addressing the research question(s) posed. Researchers wishing to use data housed in a RDC should ensure that their proposal addresses these issues. Other information needs in support of RDC access include:

- Clear specification in the proposal that access to an RDC will be required;
- Which RDC(s) will be accessed and by whom;
- Whether or not those accessing the RDC already have appropriate security clearance; and,
- A total budget that includes RDC access costs of \$3,957. RDC access costs are a legitimate additional expense over and above the base budget of \$20,000.

More than one project may be commissioned on a particular topic and none may be commissioned in others. The suggested topics (listed below) may also be combined and researchers may propose alternative topics. Researchers may be involved in more than one topic and in different areas.

Proposals should be sent via e-mail to: Katherine Meredith, at clsrn@interchange.ubc.ca, (Canadian Labour Market and Skills Researcher Network, Department of Economics, University of British Columbia).

Enquiries about this research project can be directed to: Morley Gunderson, Centre for Industrial Relations, University of Toronto, morley@chass.utoronto.ca or John Myles, Department of Sociology, University of Toronto, john.myles@utoronto.ca.

Annex

Research Priorities Related to the Labour Market and Skills

The sections below provide some guidance on specific issues of interest within the broader research priorities specified earlier. These lists are intended to be indicative, not exhaustive. As well, researchers may wish to look at previous CLSRN Calls for Proposals for detailed suggestions of topics for research.

1. Learning Over the Life Course

Demographic realities, changes in the nature of work and evidence that many learned skills (such as literacy) depreciate with age or early failure to use such skills all suggest the need for a more flexible and continuous approach to learning. In light of this, a key goal of public policy is to provide Canadians with knowledge of, access to, and the ability to benefit from learning opportunities at various stages in life.

Economic adjustments and technological shifts may require changes in the way individuals acquire skills, as well as a new focus on skills maintenance. Life course learning is conceptually different from the traditional model of discrete, consecutive stages of learning, working and retiring. It may encompass alternating between work and learning, or even combining them at any point in time (be it for a year, a month, a week or even a day). Also, it requires an education and training system that is responsive to the changing needs of those who must retune their skills, either because their education choices no longer correspond to the changing demand for skills, their skills have become obsolete, or they immigrated to Canada with gaps in their skill set. Topics in this area will include, for example, the interaction of formal education, formal and informal training, and work in a lifecycle context. Topics can also include how one delivers learning to adults, especially those from other cultures, and how that learning can be turned into credentials that employers can recognize when making hiring decisions. Key to all this is the simple calculus that the period of time over which a given human capital investment can be amortized is less for an older worker than it is for a younger person, and remains a barrier to such life-long learning. Yet, changes in labour market skill requirements may require ongoing learning in any event.

Another learning issue is whether investments in learning may be subject to diminishing returns, as might be the case if the human capital that results depends on the innate learning ability of the learner, and education is predominantly made available on the basis of innate learner ability. If so, could the additional learner at the margin be a less productive investment for expenditures on education? In any event, the key issue is what that return still is; if high enough, the investment is always worthwhile. Related to this is whether there are general skills learned, such as learning how to learn, that have a high payoff. Or, are there other forms of learning, perhaps less traditional than the 'book learning' of much of post-secondary education, that still have high payoffs for the less skilled?

2. Employment and Productivity

From a competitiveness perspective, evidence indicates that Canada is in a world it has not faced in 30 or more years, one of low unemployment rates, widespread reports of labour shortages and demographics that promise more of the same. Looking forward, Canada is likely facing slower growth in GDP per capita as ageing baby boomers leave the labour force, slowing growth of the employment-population ratio eventually leading it to decline. This has led to the (purely arithmetic) observation that to sustain growth – although that need not be taken as necessary – productivity growth must increase (in fact, productivity growth is always desirable). At issue is whether there is any connection between slowing labour force growth and productivity growth: would slowing of the former naturally entail increases in the latter? In particular, the relationship between labour market pressures, real wages, the relative cost of labour and business decisions about investing in labour-saving (i.e. labour productivity generating) capital and production processes are all of interest. Of especial interest is the fact that, to date, a tighter labour market has not led to major increases in real wages, especially for the less skilled, and the possibility that this reflects the global labour supply shock of countries like India and especially China entering the global trading system. We are interested in whether current labour market pressures, transmitted via higher real wages, may translate into greater output-per-worker. Here we traditionally think the causality is the other way around: that we need to find ways to raise productivity to raise real wages. Is that so?

This also raises the issue of the extent to which up-skilling a population / labour force that already has high levels of educational attainment can lead to better productivity gains. There is a presumption that a more skilled labour supply can create its own demand and boost growth. This, however, will depend on how greater supply translates into greater output. Does greater human capital just materialize into greater productivity in a production function sense? Or, does demand impose some form of constraint such that greater supply might result in lower relative earnings? Looking at the difference between the high relative wage gains of the most skilled in the U.S. (where supply growth has been less), and the lower (if at all) gains in Canada (where supply growth has been stronger), affirms that supply and demand might matter. Do earnings levels, in turn, have an impact on business location decisions, which would create demand? Or do they have an impact on the geographic mobility of skilled workers (whether Canadian born, or prospective or actual immigrants), which might lower supply?

These issues also arise in the context of our economic performance compared to the United States. Canada has been falling short of U.S. productivity growth and thus increasingly losing ground to the U.S. in terms of productivity levels for years now. Although this has more immediate implications for relative standards of living, should this trend persist Canada's ability to attract or retain mobile, highly skilled labour could be impeded, especially in a world of global competition for the highly skilled. The impact of relatively slower productivity growth than in the U.S. will also be compounded by the fact that Canada will see slower gains or more imminent declines in its

employment-population ratio than the U.S., as the U.S. has a younger population and a higher birth rate than does Canada.

There is also a need to better understand the (partial) mismatch between the fields of study of recent post-secondary graduates and the demands of the labour market: why do many youths pursue studies in fields which are not in high employment demand and that deliver low average rates of return? Is it due to a lack of information about associated labour market outcomes, ill-defined preferences at the time of field of study selection (in which many will persevere rather than switch), or a lack of responsiveness from post-secondary institutions (i.e. – by not adding enough seats in fields where labour demand is increasing) thereby forcing students into other fields? Would substantial efficiency gains be achieved by reducing the mismatch between the supply of new graduates and labour demands? And what would deliver a better alignment of new labour supply with labour demand?

Finally, a more skilled and flexible labour force may help Canada to adjust to shocks and changes in the global economy. Canada is currently facing the combined (and not unrelated) shock of the rise of China and India, buoyant commodity prices, and a strong Canadian dollar, which are posing considerable adjustment challenges. At issue is whether we are doing as well as we could. Also at issue is what constraints there are on mobility, not just constraints on geographic mobility but even those on inter-firm mobility, such as the non-portability of many employee benefits such as health coverage and pensions that are provided via a specific employer, or inter-occupational mobility, such as the lack of more flexible educational opportunities and credential recognition. A related issue is whether some geographic mobility of production might alleviate some of the pressures for mobility of the labour force, especially in a world of relatively cheap communications and transportation costs.

Other relevant issues include the potential that better labour market integration of the currently underemployed or excluded could help forestall eventual decreases in the employment-population ratio. This is addressed in issue 4 below.

The importance of productivity growth and its impact on living standards is well documented. Greater participation in the workforce, by reducing unemployment and/or under-employment, can raise the productive capacity of the economy. Higher levels of human capital may be required to increase participation, given the rising demand for skills, and older workers may require incentives and opportunities to extend their careers should they wish to do so.

Research proposals in this area should address these concerns with attention potentially paid to broad questions (e.g., the relationship between human capital levels and economic growth) and/or questions of labour and skills imbalances in the Canadian economy and/or questions about skills investment (e.g., how much resource effort should we put into re-training older workers versus skill development for the next generation).

3. Income Security

Canada's governments have many program levers that can have important impacts on the income security of Canadians. Yet, despite some recent innovations (such as refundable tax credits), the system is largely based on a decade's-old design and may not be consistent with the emerging needs of the Canadian economy. In particular, the system is designed largely in a "static" sense, in that we try to manage the support-incentive trade-offs at a point in time or within a single year. It may well be that building an income distribution system more oriented towards the life cycle of individuals would provide a better mix of good income and good incentive outcomes. It is even possible that support levels could be made more generous if the disincentive effects created by such support are limited by limiting subsequent / repeat support access, in essence making support an 'asset' for which one could build up and run down entitlements.

Canada's employment insurance program is one element of the current income security system. It was developed in the post-war era, and was originally intended to function as an insurance system, largely insuring against cyclical job loss. The employment insurance program has changed in terms of its clients, the forms of and extent of income benefits provided, and its emphasis on active employment measures. But, could it too provide better support and incentives if it was more explicitly cognizant of the life cycle?

Another key component of the system is a set of programs that, taken together, provide a basic income to all eligible Canadians. One of the most important is the retirement system. This includes the Canada Pension Plan/Quebec Pension Plan, Old Age Security, and Guaranteed Income Supplement. Clearly these have done a lot to alleviate elderly poverty, which has diminished greatly. Clearly as well, the upcoming generation of retirees seems basically well prepared for their impending retirement. At issue is whether these public systems are a sufficiently large component of the pension system to deal with the still younger cohorts who are facing greater 'individualization of risk' through the move towards defined contribution pension plans (or no plans at all) and a reliance on choosing to invest in RRSPs. An interesting topic here is whether public policy is creating an adequate *obligation* to save, rather than just offering the *opportunity* to save through RRSPs.

Another component of the income support system is the range of supports available to Canadians with disabilities to promote their full participation in learning, work and community life. Of particular interest is the choice between income support (to enable a certain standard of living to be maintained), and support for education and training and employment (to enable them to become more self-sufficient). Of interest is whether, especially in the current context of a strong labour market, investments in the latter can reduce the need for the former.

In general, the questions in this area primarily relate to how well the current system serves users, particularly with regard to skill upgrading, retirement planning, and temporary income support during short periods of involuntary job loss.

4. Economic Participation and Social Inclusion

Material and social exclusion is an on-going reality for many Canadians. The ‘rising tide’ of economic growth since the mid 1990s has ‘lifted many boats’. But, as at past cyclical peaks, it has left many behind. In other words, despite overall improvements in income levels, some Canadians remain at high risk of experiencing persistent low income as a result of long and/or frequent spells of unemployment and low-paid work. On one hand, this could reflect lower education levels, lower skill levels or even lower levels of innate ability, especially as the healthy job market has soaked up many of those who are more employable. It is possible that our typical investments in their skills upgrading will not be at a sufficient scale to turn around the deeply-rooted employability gaps of those still unable to find work. Or, on the other hand, the prospects for ongoing tightness in the labour market suggest there may be a ‘window of opportunity’ over the medium-term to improve this situation by investing in the skill levels of those still left behind. That may tip them into better employment outcomes, perhaps simply because there are few better skilled workers for employers to turn to. Of particular interest are questions of intervention scale: the possibility that, like antibiotics, interventions have to achieve a certain scale (‘dose response’ in medical literature) to pay off. Certainly, the recent changes to the tax system, such as the introduction of the Working Income Tax Benefit (WITB), ought to reduce the tax-transfer system disincentives to greater inclusion via paid work. In that context, with better incentives, outcomes could become better.

Research could advance our understanding of the nature and characteristics of those populations still facing economic and social exclusion, how to enhance opportunity and participation for all Canadians, and how to remove barriers to economic and social participation. This may require coordinated attention to areas such as: housing, education and learning opportunities, community and social support networks, and labour market participation. This may be especially so if those left behind now are more likely to face multiple sources of disadvantage. Again, of particular interest is the issue of intervention scale. Is it possible that we find low returns to many of our interventions because we offer them at low scale, but frequently, and could find higher returns to larger interventions offered less frequently (within a similar budgetary envelope)?

We are also interested in whether greater personal choice in interventions, such as via accounts and vouchers, may help alleviate exclusion, perhaps simply by giving the excluded a greater sense of ‘ownership’ and / or control over their life course than they would obtain from highly prescribed interventions.