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# **Navigating Government Labour Programs:** Atlantic Canadian Small Businesses' Experience

May 2024



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## Atlantic Employment Support Programs

Employment Support Programs (ESPs) are one of the measures implemented by provincial governments to tackle unemployment and underemployment in the labour force. As shown in the Appendix, these programs are funded by the federal government through the Labour Market Development Agreements and the Workforce Development Agreements. These programs are aimed at improving provincial labour force outcomes by enhancing individuals' employability and connecting them with employers. Some ESPs are targeted towards employers and offer benefits such as subsidized wage costs, access to talent pools, and faster labour recruitment processes. This report evaluates the effectiveness of the ESPs that small and medium-sized businesses (SMEs) can partake in. It analyzes the efficacy of ESPs administered in the Atlantic provinces using results of CFIB's 2023 Effectiveness of Provincial Employment Support Programs survey, which was shared with small businesses in the Atlantic provinces. It assesses the outcomes, perceived benefits, and experiences of Atlantic Canadian small businesses that have participated in ESPs as well as the factors that cause some SMEs to stop or abstain from using ESPs.

There are generally three types of ESPs employers in the Atlantic provinces can participate in:<sup>1</sup>

- **Wage subsidy programs:** Wage subsidies lower employers' cost of hiring by financing a portion of employee wages. For some employers, they act as an incentive to hire. Wage subsidy programs can cater to specific industries or sectors, or to firms of specific sizes. They can also be limited to certain categories of employees (e.g., students, visible minorities, people with disabilities).
- **Job matching programs:** These programs are designed to match unemployed individuals with employers seeking to fill job vacancies. They provide employers with easier access to workers, including those they would not typically hire (e.g., youths, newcomers, older workers). Participating in job matching programs can reduce the cost of recruiting and the time employers spend seeking applicants.
- **Labour market partnerships:** These programs are designed to help employers with developing and implementing labour market strategies to meet human resource requirements and with labour force adjustments such as expansion, downsizing, or adopting new technologies. Funding obtained through these programs can be used to cover wages, research costs, and other eligible expenses.

## Highlights from this report

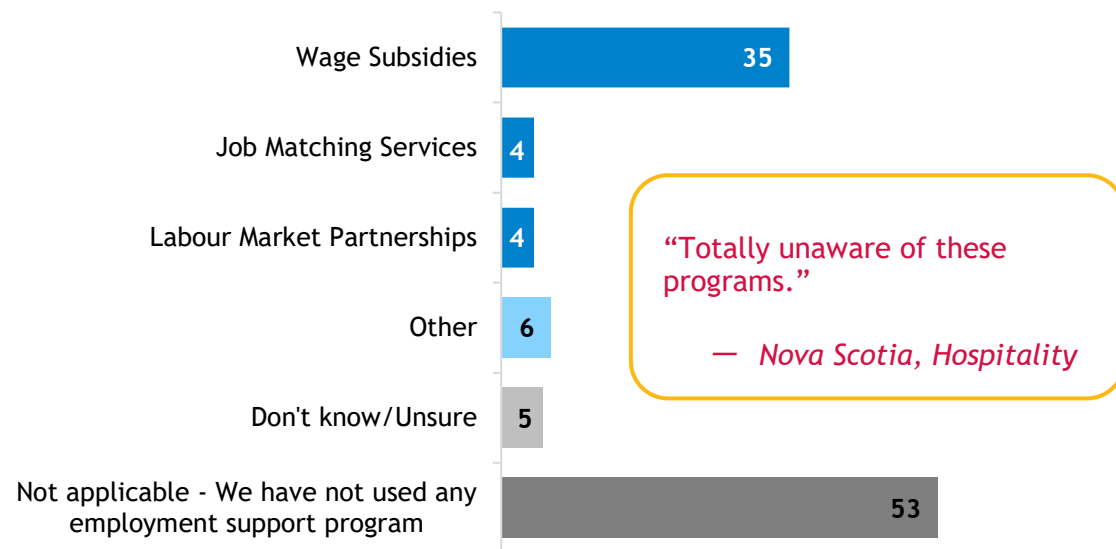
- About nine out of ten small firms in the Atlantic provinces support provincial governments helping employers deal with labour shortages.<sup>2</sup>
- Almost half (47%) of small firms in the Atlantic provinces have used ESPs.
- Almost half (45%) of small business owners are uncertain about their business's eligibility for ESPs, resulting in reluctance to apply for the program(s).
- About 50% of small firms in Atlantic Canada report that labour shortages are a serious concern for their business. However, almost half (45%) are unaware of ESPs. This underscores the need for provincial governments to better publicize the programs.
- ESPs have proved to be ineffective for approximately 30% of small firms that have used them, with the most cited reason being the inability to find qualified workers.
- Among the small businesses that have used ESPs, one out of five is planning to stop, citing burdensome administrative requirements (29%) and the inability of ESPs to meet their labour needs (25%) as the top reasons.
- Small businesses that had participated in ESPs expressed the highest level of dissatisfaction with the ease of completing reporting requirements, and the time it takes to be connected to a job candidate.
- To address small businesses' challenges with ESPs, this report recommends that Atlantic provincial governments:
  - Involve small businesses in the development and design of ESPs.
  - Improve the marketing and promotion of ESPs.
  - Evaluate and eliminate burdensome administrative requirements of ESPs.
  - Ensure that ESPs are clear, easily accessible, and have simple requirements.
  - Conduct regular audits of ESPs.



## Small business utilization of provincial Employment Support Programs

More than one in two (53%) SMEs in the Atlantic provinces have not used ESPs in the past three years, despite ongoing labour shortages (Figure 1). The main reasons cited are a lack of awareness and an uncertainty around program eligibility (Figure 2). However, among the small businesses that engage in ESPs, wage subsidies are the most widely used (35%), followed by job matching services (4%) and labour market partnerships (4%). Responses captured in 'Other' include immigration programs and federal ESPs.

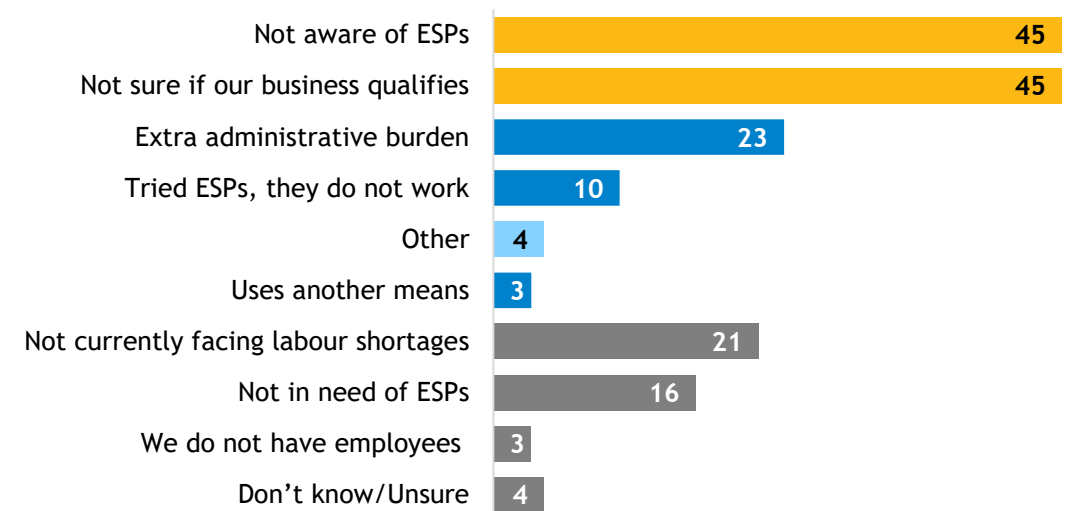
Figure 1  
**Less than half of Atlantic small businesses have used ESPs<sup>3</sup>**  
*Small business's utilization of ESPs (% response)*



ESPs have the potential to provide value to small businesses. However, the Atlantic governments need to enhance their promotion of the programs to ensure that small businesses are aware of them and can avail themselves of the benefits.

Small business owners have limited time and resources to allocate towards seeking out ESPs. Thus, almost half (45%) are unaware of ESPs and an equal share (45%) are unsure about their business's eligibility for ESPs.

Figure 2  
**Almost half of small businesses in Atlantic Canada are not aware of ESPs<sup>4</sup>**  
*Reasons small businesses do not use ESPs (% response)*



Almost a quarter (23%) of small businesses do not use ESPs because of the additional administrative burden associated with the programs. Small businesses report that ESPs are riddled with administrative burdens such as time-consuming forms, onerous reporting requirements, and long waiting periods which dissuade them from participating in the programs. Conversely, one out of ten small businesses that have used ESPs reports that they discontinued use because ESPs did not meet their labour needs.

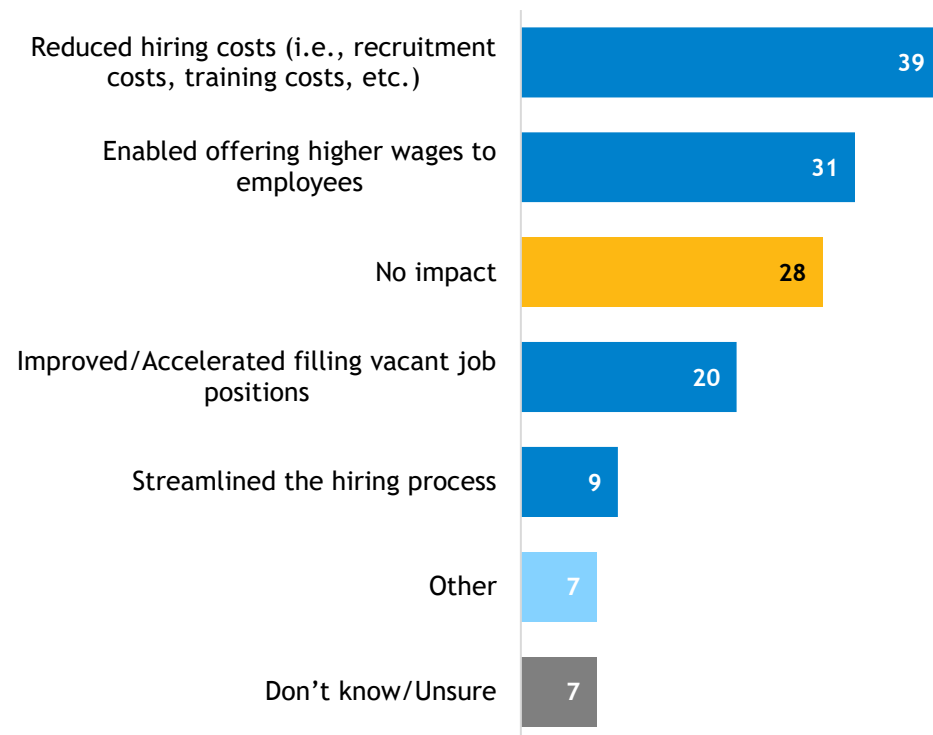
*“We are now aware of the programs and will be using [them] in [the] future for situations that are eligible.”*  
 — Prince Edward Island, Professional Services

## Small businesses and Employment Support Programs: A closer look

Figure 3

Almost 3 out of 10 small firms report that ESPs have had no impact on their business<sup>5</sup>

*Impacts of Employment Support Programs on small businesses (% response)*



### Employment Support Programs lacking value

Nearly one third of the small firms that have participated in ESPs report that the program(s) had no impact on their business. This result could be due to several reasons, such as a lack of qualified candidates or administrative delays. Thus, it is important for the Atlantic governments to involve SMEs in the development and design process of ESPs to ensure that the programs are tailored to meet their labour needs.

### Some small businesses report benefits of ESPs

Partaking in ESPs proved beneficial for some Atlantic Canadian small businesses, resulting in lower hiring costs (40%), enhanced ability to offer higher wages (31%), faster recruitment of workers (20%), and a streamlined hiring process (9%).

“Information needs to be more easily accessible for businesses. With staff shortages, we don’t have the time to research possible programs.”

— Newfoundland and Labrador, Hospitality

“We are very small . . . I expect we don't qualify for them, and we have not been made aware of them.”

— Nova Scotia, Retail

### Small businesses' rating of ESPs

ESPs are predominantly employee-facing and aimed at providing support for unemployed or underemployed individuals. Therefore, the government's evaluation of the programs is often more heavily focused on the outcomes of job seekers and employees rather than employers. ESPs should be designed such that they provide value to both employers and employees, especially for SMEs that are burdened with labour shortages, ever-increasing business costs, and unprecedented debt levels.<sup>6</sup>

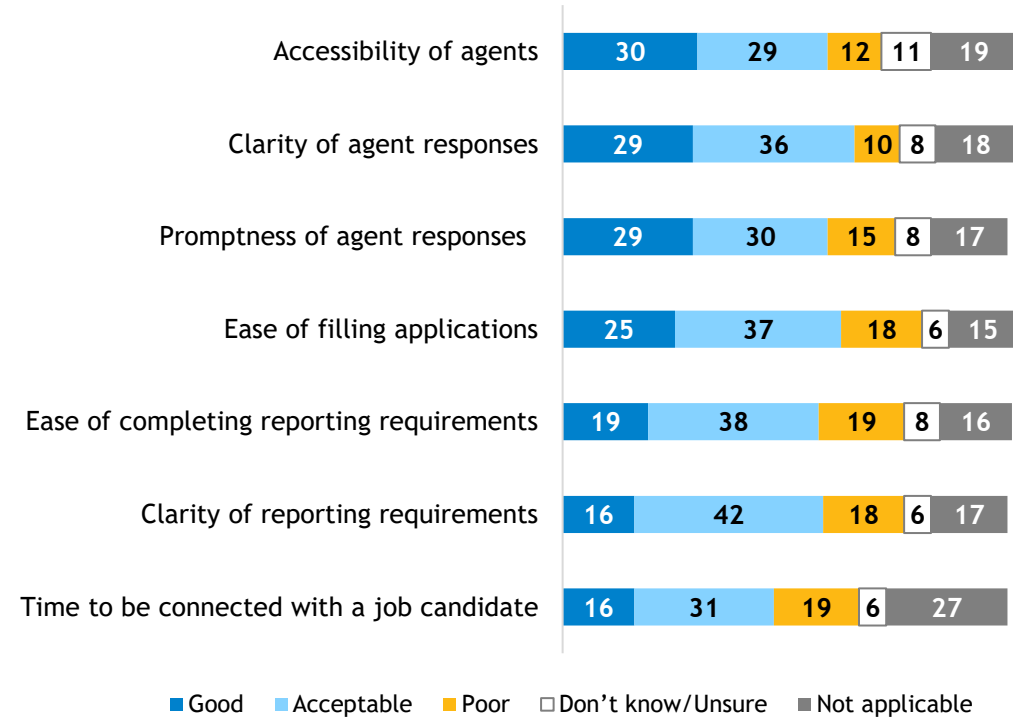
To better understand small businesses' experience with ESPs, we asked a range of questions designed to measure the quality of several features. All ESP features except accessibility of agents received an average rating of acceptable from small businesses (Figure 4). Accessibility of agents (30%), promptness of agent responses (29%), and clarity of agent responses (29%) received the highest 'good' ratings.

The administrative features of ESPs received the highest 'poor' ratings from Atlantic Canadian SMEs. The ease of completing reporting requirements was ranked as poor by 19%, while the ease of filling applications and the clarity of reporting requirements were ranked poor by 18% of Atlantic Canadian SMEs. This underscores the need for the Atlantic governments to streamline and simplify the administrative processes and application procedures of ESPs. Adopting this approach will alleviate unnecessary administrative burdens placed on SMEs that participate in ESPs.

Figure 4

### ESP features rated 'acceptable' by small businesses<sup>7</sup>

Small businesses' rating of ESP features (% response)



*“The Support Programs offered are no good [for] for-profit businesses. They are way too restrictive and [it costs] way too much time and effort to justify the little bit of relief. And even then, the relief isn't upfront.”*  
 – Newfoundland and Labrador, Retail

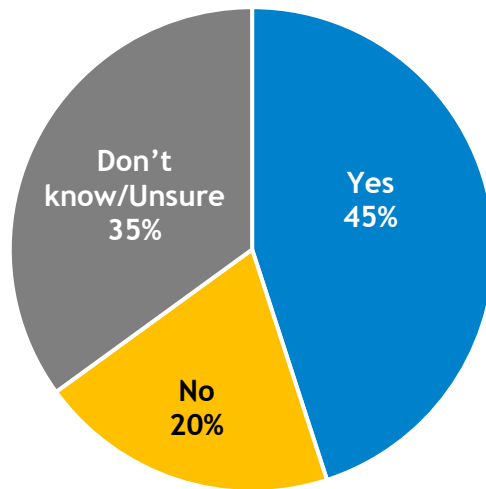
**One fifth of small businesses will stop using ESPs**

Among the small business owners who have used ESPs (47%),<sup>8</sup> 45% state that they will continue to use the programs, 20% report that they will discontinue their use, and 35% are unsure of whether they will continue using them (Figure 5). The high 'Unsure' number is likely due to small business owners questioning the value and effectiveness of the programs.

Figure 5

**20% of small business owners will not continue using ESPs<sup>9</sup>**

*Small business owners' plans to continue using Employment Support Programs (% response)*



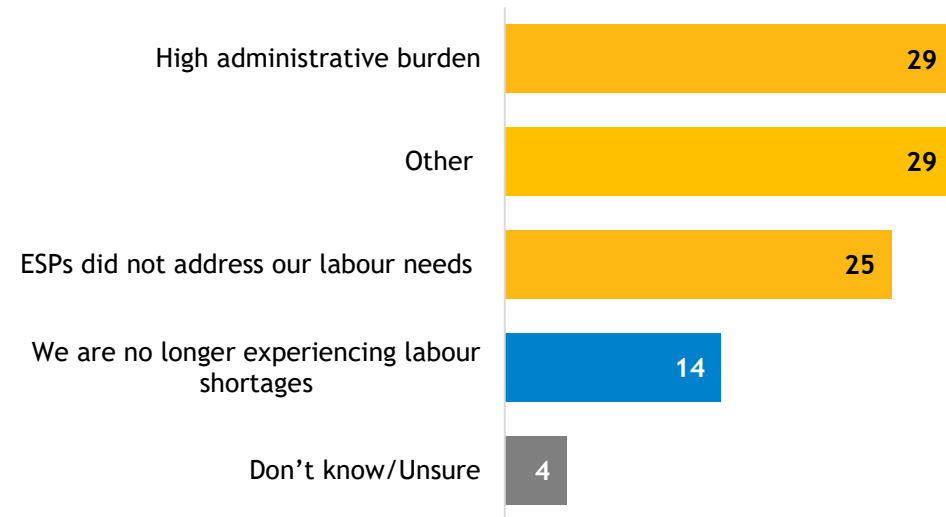
**High administrative burden deterring small businesses from using ESPs**

Almost 30% of small business owners reported that they discontinued their use of ESPs because of the associated administrative burden of the programs (Figure 6). As mentioned in the sections above, participating in ESPs can be costly for small businesses. Administrative duties are typically carried out by business owners, who, on average, are already working 54 hours, which is equivalent to an 8-day work week if a normal weekday consists of 7 hours.<sup>10</sup> ESPs should be designed to ensure that the application process and program procedures do not place additional burdens on small business owners.

Figure 6

**Administrative burden limiting small businesses' usage of ESPs<sup>11</sup>**

*Small business owners' reasons for stopping their use of ESPs (% response)*





### Ineffectiveness of Employment Support Programs

A quarter (25%) of small businesses reported that Employment Support Programs did not address their business's labour needs (Figure 6). This dissatisfaction with program outcomes can be a result of skill mismatches, unqualified or underqualified candidates, or an overall lack of candidates. Atlantic governments need to ensure that SMEs reap the promised benefits of ESPs. One way to achieve this would be by performing regular audits of ESPs that assess the outcomes of small business participants and making the results public. Another approach could be to consult with SMEs and incorporate their input during the development of ESPs.

“Too much red tape and bureaucracy. Not even worth the effort to use them.”

— *Newfoundland and Labrador, Retail*

“We used one program once, it was too much training, too much paperwork.”

— *Nova Scotia, Retail*

Figure 7

## Business owners' reasons for discontinuing the use of Employment Support Programs

“

I could hire but would need a subsidy. Not sure that's there for me.”

– *New Brunswick, Hospitality*

“

We no longer qualify.”

– *Nova Scotia, Construction*

“

None available.”

– *Nova Scotia, Hospitality*

“

Wage Subsidy was only offered during the pandemic - we are no longer eligible.”

– *Nova Scotia, Social Services*

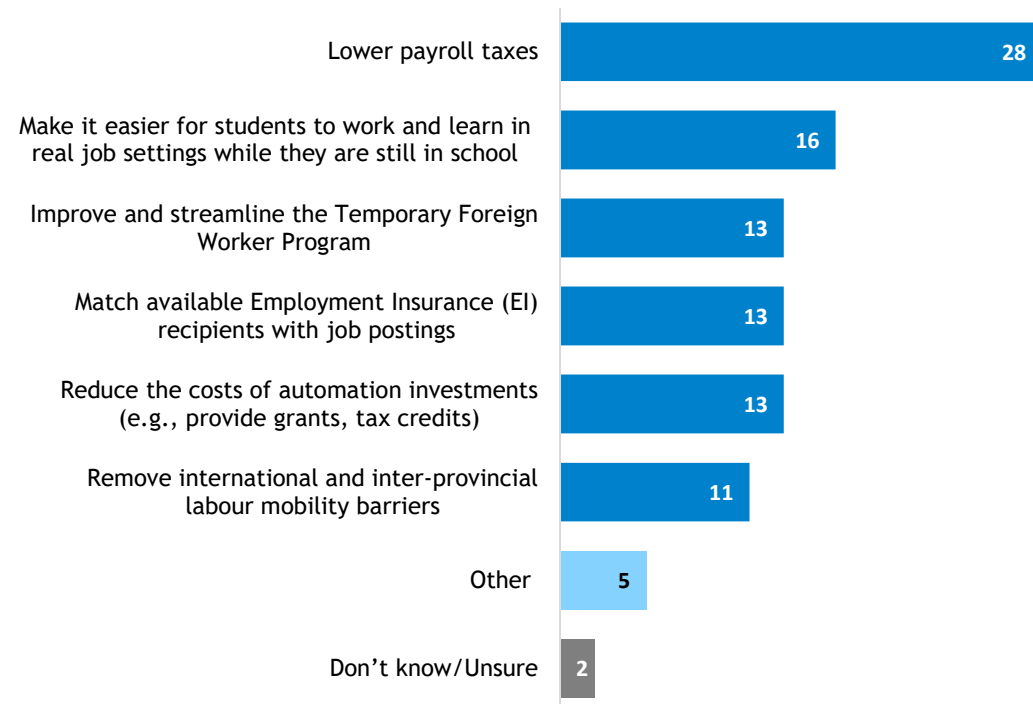


## Other government supports for small businesses in Atlantic Canada

Figure 8

### Other government supports to help Atlantic small businesses<sup>12</sup>

Forms of support Atlantic small businesses would like to see the government implement (% response)



Almost one third (28%) of SMEs would like the Atlantic governments to lower payroll taxes. Payroll taxes affect business owners' staffing decisions. High payroll taxes increase the cost of hiring an employee and can deter SMEs from expanding their workforce even while experiencing a labour shortage. Thus, lowering payroll taxes could ultimately help SMEs to obtain labour.

Small businesses in Atlantic Canada would also like to see governments facilitate more internships and co-ops for students in high schools and universities (16%). A recent CFIB report recommends that Canadian jurisdictions integrate work experience into academic curriculum for high school students, and expand vocational education and training, particularly apprenticeships.<sup>13</sup> This will provide small businesses with access to a broader labour market and serve as a potential solution to labour shortages.

The same percentage (13%) of small businesses would like the federal government to improve the Temporary Foreign Worker Program and the provincial governments to match EI recipients with job vacancies and reduce automation costs through grants and credits. Overall, 11% of Atlantic small businesses would like to see international and inter-provincial labour mobility barriers removed to help them access additional labour sources.

## Recommendations

### **General recommendations for Atlantic Canada that could be adopted by other provinces. Provincial governments should:**

1. Regularly consult with small businesses, involving them in the development and design of Employment Support Programs.
2. Improve the marketing and promotion of Employment Support Programs to small businesses.
3. Evaluate the administrative burden of existing Employment Support Programs and modify those with unnecessary administrative burdens.
4. Ensure that Employment Support Programs are clear, easily accessible, and have simple requirements that small businesses can meet.
5. Conduct regular audits of Employment Support Programs focused on the outcomes of small businesses and make the results publicly accessible.

## Appendix

For years, small businesses in the Atlantic provinces have operated in labour markets characterized by aging populations, skills gaps, and relatively low immigration levels. As a result, small businesses have struggled with labour shortages that impede the smooth running of their operations.

Employment Support Programs (ESPs) are one of the most highly funded initiatives to address unemployment, underemployment, skills gaps, job vacancies, and training within the Atlantic provinces. The federal government funds the design, development, and operation of ESPs through the Labour Market Development Agreements (LMDAs) and the Workforce Development Agreements (WDAs).

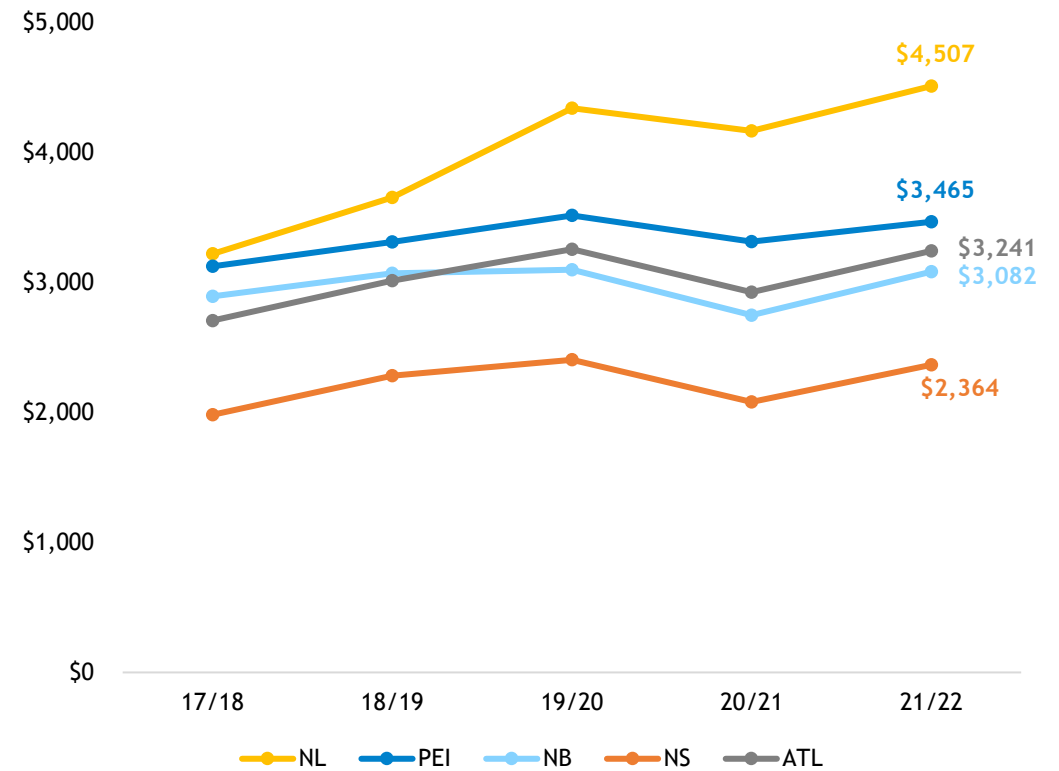
Historically, the LMDA and WDA funding allocations increased annually (Tables A1 & A2). However, the 2024 federal budget cut \$625 million in additional funding that had been allocated to the LMDAs and WDAs since 2017. This cut is expected to affect organizations that help unemployed individuals and lower the funding allocations per province.

Table A1: Total LMDA funding for all Atlantic provinces (2017-2022)<sup>14</sup>

	17/18	18/19	19/20	20/21	21/22
Allocation (\$ millions)	333	349	356	393	398

**Labour Market Development Agreements (LMDAs)** - The federal government provides more than \$300 million annually<sup>15</sup> in LMDA funding (Table A1) for the Atlantic provinces to administer ESPs such as wage subsidies, employment assistance, and training/skills development grants. As of the fiscal year 2021/2022, the average LMDA allocation was approximately \$3,200 per unemployed person in the Atlantic provinces (Figure A1).

Figure A1: LMDA funding allocation per unemployed person<sup>16</sup>





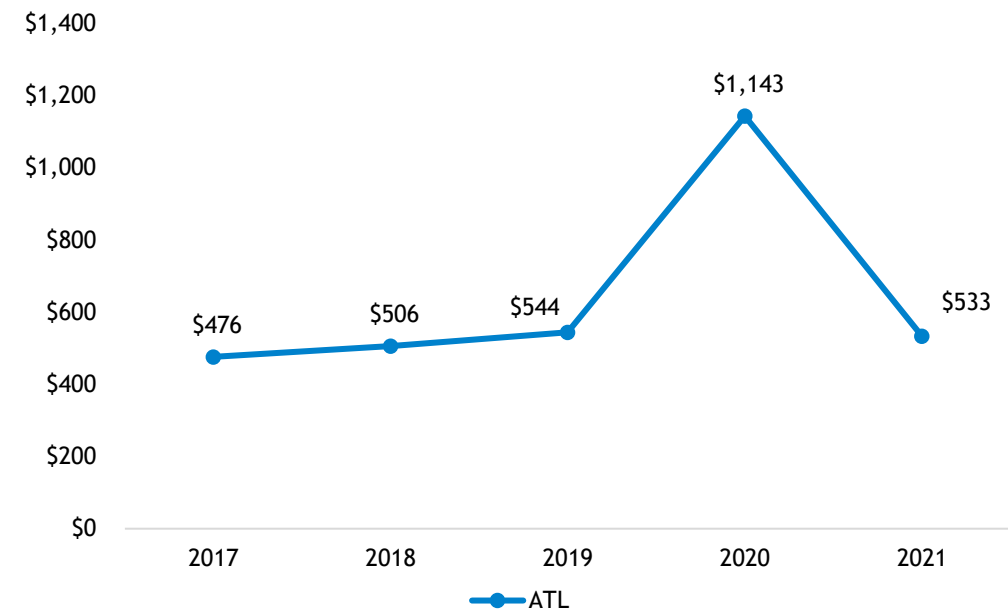
**Workforce Development Agreements (WDAs)** - Programs developed through the WDAs are focused mainly on improving the labour outcomes of underemployed and underrepresented individuals. However, some provide support for employers looking to train employees through wage subsidies, and funding for employer-sponsored training.

Table A2: Total WDA funding for all Atlantic provinces (2017-2022)<sup>17</sup>

	17/18	18/19	19/20	20/21 <sup>18</sup>	21/22
Allocation (\$ millions)	58.6	58.6	59.5	153.5	65.5

On average, the WDAs provide approximately \$500 in funding per unemployed person in the Atlantic provinces (Figure A2).

Figure A2: WDA funding allocation per unemployed person<sup>19</sup>



## Endnotes

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<sup>1</sup> There are other types of ESPs offered in the Atlantic provinces. However, the three above are offered in all four provinces. Some of these programs operate under different names depending on the province.

<sup>2</sup> CFIB, Your Voice - November 2023 survey, November 2-20, 2023, n = 3,265. Question: "Please indicate how important it is to your business that the [PROVINCE] government does each of the following. (Select one for each line): 'Help employers with labour shortages.'"

<sup>3</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 300. Question: "Which of the following Employment Support Programs has your business used to address labour shortages in the past 3 years?"

<sup>4</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 154. Question: "Why has your business not used Employment Support Programs? (Select all that apply)." Note: Respondents could select more than one answer. The total of all percentages will exceed 100.

<sup>5</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 123. Question: "How have Employment Support Programs impacted your business? (Select all that apply)." Note: Respondents could select more than one answer. The total of all percentages will exceed 100.

<sup>6</sup> Gaudreault, Simon, and Alchad Alegbeh, Back in business? - Spring update on small business debt and CEBA. CFIB, 2023.

<sup>7</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 114. Question: "Overall, please rate your experience with provincial Employment Support Programs. (Select one for each line)."

<sup>8</sup> Some of the respondents who identified as having benefited from and participated in a wage subsidy program actually took part in the Canada Emergency Wage Subsidy.

<sup>9</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 114. Question: "Is your business planning to continue using Employment Support Programs in the next 12 months? (Select one)."

<sup>10</sup> Bomal, Laure-Anna, and François Vincent. The 8-Day Workweek: The impact of labour shortages on the number of hours worked by Canada's small business owners. CFIB, 2023.

<sup>11</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, n = 23. Question: "Why does your business plan to stop using Employment Support Programs? (Select all that apply)." Note: Respondents could select more than one answer. The total of all percentages will exceed 100.

<sup>12</sup> CFIB, Effectiveness of Provincial Employment Support Programs - October 2023 survey, October 17-30, n = 114. Question: "Which other types of government support would help your business? (Select all that apply)." Note: Respondents could select more than one answer. The total of all percentages will exceed 100.

<sup>13</sup> Juliette Nicolaj. Unlocking potential: Breaking down barriers to work across all ages. CFIB, 2023.

<sup>14</sup> Employment and Social Development Canada 2022. EI Monitoring and Assessment Reports Chapter 3: Impact and effectiveness of Employment Benefits and support to workers and employers (Part II of the *Employment Insurance Act*).

<sup>15</sup> The federal government provides approximately \$2 billion annually to all provinces and territories, making it the largest source of funding for the development of ESPs.

<sup>16</sup> CFIB's own calculations using Statistics Canada annual labour force characteristics. Available at: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410032701>

<sup>17</sup> Custom tabulations provided by ESDC.

<sup>18</sup> In the year 2020/2021, the federal government provided the Atlantic provinces an additional \$84.8 million in funding to support workers and employers who were affected by the COVID-19 pandemic.

<sup>19</sup> CFIB's own calculations using Statistics Canada annual labour force characteristics. Available at: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410032701>

## About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 97,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community.

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## Author



### Beatrix Abdul Azeez Policy Analyst

Beatrix Abdul Azeez is a Policy Analyst in Newfoundland and Labrador (NL) for the Canadian Federation of Independent Business (CFIB). Beatrix advocates for numerous small business issues with a focus on labour issues.

Prior to joining CFIB, Beatrix worked as a socio-economic specialist, conducting research on the Newfoundland and Labrador economy and employment for Environmental Impact Assessments.

She holds a Bachelor of Arts in Economics and a Certificate of Public Policy from Memorial University of Newfoundland.

