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**RESTRUCTURING AND ADJUSTMENT POLICY IN CANADA'S FISHERIES LABOUR MARKET  
PROGRAMMING AND OTHER MEASURES: THE LEARNING EXPERIENCE (1992-2003)**

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**OECD Headquarters, 2 rue André Pascal, Paris 16**

*This paper will be presented by Gor Ruseski of Fisheries and Oceans Canada, Ontario Canada.*

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For further information, please contact:  
Anthony COX (Email: [anthony.cox@oecd.org](mailto:anthony.cox@oecd.org))

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**TABLE OF CONTENTS**

Introduction ..... 3  
Canada’s Lessons Learned ..... 5  
    Delivering Fisheries Adjustment Programming in the 1990’s ..... 5  
The 2003 Cod Closure ..... 11  
    Analysis ..... 11  
    Canada’s Adjustment Tool Kit ..... 12  
    Human Resources Development Canada ..... 12  
    The 2003 Response ..... 14  
BIBLIOGRAPHY ..... 17

**Tables**

Table 1. Restructuring Initiatives (1992-2001) ..... 5

**Figures**

Figure 1. NAFO fishing zones (2002-2003) ..... 4

**RESTRUCTURING AND ADJUSTMENT POLICY IN CANADA'S FISHERIES LABOUR  
MARKET PROGRAMMING AND OTHER MEASURES: THE LEARNING EXPERIENCE  
(1992-2003)<sup>1</sup>**

## **Introduction**

1. Canada has the longest coastline in the world and Atlantic groundfish and Pacific salmon, have supported the economies of Canada's coastal communities for centuries. For many of those communities, whether originally populated by aboriginals or European immigrants, their "raison d'être" was the fishery.

2. The last decade of the 20<sup>th</sup> century and the first few years of the 21<sup>st</sup> century was a tumultuous period for fisheries management in these two most important fish stocks. The conservation measures, including complete fishery closures, put in place by Fisheries and Oceans Canada (DFO) to protect those stocks, led to a number of Government initiatives with varying success rates, which sought not only to address harvesting over-capacity issues, but more importantly to deal with the economic and social survival of those coastal communities and the people that had depended on those fisheries for their livelihood. The fishery is the only industry in Canada for which the federal government has full jurisdiction.

3. In late 2002 and early 2003, scientific assessments confirmed that Canada's Atlantic cod stocks were declining in fishing zones 2J3KL, 3Pn4RS, and 4TVn in the Atlantic and Gulf of St. Lawrence (see Figure 1) and, that despite previous efforts to sustain these stocks, this decline would continue. The Minister of Fisheries and Oceans felt compelled to announce a complete and long-term shutdown of these three fisheries. A package of adjustment measures was needed for the affected individuals and communities.

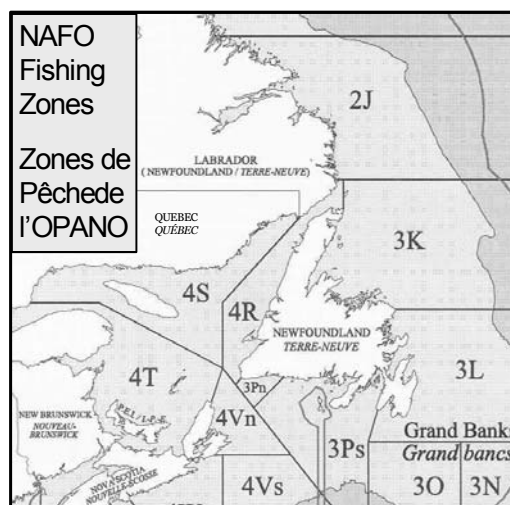
4. In the previous 10 years, Canada had been forced to develop a number of strategies (see figure 2) to respond to collapses in significant fishery stocks which had resulted in fishery closures and quota reductions. During that period capacity reduction, restructuring and adjustment programming had taken numerous forms. They included not only licensing policy and other fisheries management changes but also; the provision of income support, counselling, training, mobility supports, early retirement for older fishers, licence buy-outs, as well as funding for economic development and short term job creation for affected communities. These programming measures, delivered in several combinations and with significant levels of funding, had been the subject of much debate by politicians, bureaucrats and by those in affected fishing communities and were deemed to have had varied success rates.

5. Thus, there was much discussion on what the appropriate federal response should be to the 2003 closures. The approach for the 2003 closures would need to be fiscally responsible, deal with individual and community needs of a long term closure, and build on the lessons learned from previous programming.

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<sup>1</sup> This document was presented by Gor Ruseski of Fisheries and Oceans, Canada.

**Figure 1. NAFO fishing zones (2002-2003)**



6. Those lessons had been learned through the delivery of programs with expenditures in excess of CAD 3 billion for adjustment and economic development assistance for fishing communities on both its coasts from 1992 to 2001. A large portion of those funds were directed at passive income support and at licence retirement, and many fishery managers, officials and politicians felt this approach did not fully address the longer-term challenge of preparing individuals and their communities for alternate employment, and failed to break the dependence on the fishery.

7. Furthermore, license retirement and passive income support for fishery workers had set a precedent for Canada's federal government response to declines in other resource sectors, creating an expectation that the federal government would underwrite risks in these resource sectors too. Providing additional significant fiscal investment in these types of programs, both officials and politicians agreed, would detract from the broader move towards a fishing industry able to self-adjust and maintain viability.

8. In particular, the federal government had learned from the previous decade, especially through the Northern Cod Adjustment and Restructuring Program (NCARP) and The Atlantic Groundfish Strategy (TAGS) that not only did the provision of short term income support to affected individuals work against adjustment, but also it was a strategy that was very difficult to exit from. In fact, the significant costs of and lack of adjustment success of investments in direct income support measures in the 1990s, caused the federal government to make policy changes that removed it as an instrument that could be utilized as a tool in events such as this latest closure of a fishery.

9. Also complicating the decision making process in 2003 was the fact that historically, not only fishery workers and their communities, but also the public and the bureaucracy looked to Fisheries and Oceans Canada (DFO) for programming solutions to respond to fisheries closures.

10. DFO, therefore, argued strongly that it did not have the federal mandate to provide restructuring and adjustment measures, but that beyond fisheries management and licensing policy measures, it did not have the necessary tools to provide assistance to those impacted by the closure. The lessons of previous programming clearly indicated that the responsibility for, and the delivery of, the most fiscally responsible and effective long-term measures lay elsewhere. The tool kit to respond to these closures required a whole

of government response, which used the expertise and programming options of the federal government's Human Resources Development Canada (HRDC) (now called Human Resources and Skill Development), Canada's Atlantic Canada Opportunities Agency, the economic development agency for Quebec (CEDQ), the agency for Western Economic Diversification (WED) and of provincial governments.

## Canada's Lessons Learned

### *Delivering Fisheries Adjustment Programming in the 1990's*

11. Between 1992 and 2001 as a result of quota cuts and fishery closures, Canada delivered four major restructuring initiatives in Atlantic Canada, and two in the Pacific. The programming and funding provided was in addition to the regular federal programming that was available to individuals and communities.

**Table 1. Restructuring Initiatives (1992-2001)**

<b>Programme</b>	<b>Funding Levels</b>	<b>Departments</b>	<b>Initiatives</b>
Northern Cod Adjustment And Recovery Program (NCARP) 1992	CAD 484 (CAD 59 M over initial budget)	DFO HRDC	Income Replacement, Licence Retirement, Early Retirement, Vessel Support
Atlantic Groundfish Adjustment Program (AGAP) 1993	CAD 181 M	DFO HRDC	Short-term Job Creation, Counselling, Training, Early Retirement, Community Development
The Atlantic Groundfish Strategy (TAGS) 1994	CAD 1.9 B	HRDC DFO ACOA	Income Support, Active Measures Early Retirement, Harvesting Capacity Reduction, Economic Development, Administration
Canadian Fisheries Adjustment and Restructuring (CFAR) Program 1998	CAD 730 M	DFO HRDC ACOA CED-Q	Lump Sum Cash Payout, Active Adjustment Measures, Licence Retirement, Early Retirement, Community and regional economic Development Licence Retirement
Pacific Salmon Revitalization Strategy 1996	CAD 80 m	DFO	
Pacific Fisheries Adjustment and Restructuring (PFAR) 1998	CAD 400 M	DFO HRDC WED INAC	Licence Retirement, Vessel Tie-up, Selective Fishing, Fisheries Diversification, Community Economic Development, Recreational Fisheries Loans, Tourism

12. Restructuring any industry, either as a result of employee reductions or a full industry closure, creates problems and challenges not only those for those individuals directly affected, their families and

their communities, but also for those behind the restructuring, whether it be large corporations or governments.

13. The difficulty for politicians and bureaucrats in designing adjustment policy and program options is that successful adjustment relies mainly on the state of the resource and vibrancy of the economy, both largely out of their control. Furthermore, government labour market adjustment policies and programs are typically a dynamic blend reflecting multiple and often changing sets of objectives and priorities. In designing adjustment programming there will often be a conflict between those whose responsibilities focus on the human side of adjustment and those whose focus is on the fiscal side, seeking measurable results and value for money. Experience has shown that achieving satisfactory results for both is very difficult.

14. Canada's experience, with its vast geography, has been that restructuring in resource sectors is very complicated for governments. The choices for developing adjustment measures are limited, because the development of the resource has often created single industry towns which are almost totally socially and economically dependent on the particular resource. Most natural resource industries are developed in rural, often remote, isolated communities where other employment opportunities are limited or non-existent. In many cases there are limited government service centres in the immediate area, certainly not the full complement of services that the delivery of a multi-tiered adjustment strategy requires for implementation. Governments require innovative ways to deliver services, a one size fits all approach does not work and departments must be flexible in their approach to service delivery.

15. The fishing industry presents its own particular set of challenges when capacity reduction and restructuring is required. In Canada, not only are fishing communities usually situated in coastal, single industry towns, but the industry itself is often species specific and usually seasonal for both fishers and plant workers. Fishing income is most often only a portion of all income, and these fishing communities are often dependent to some degree on unemployment/employment insurance (UI/EI) or other government subsidies as well as earnings from other employment. Any restructuring response must fully consider the role of existing government assistance in lifestyles.

16. In smaller communities particularly, the fishing industry often employs more than one member of a family, males most often in fishing and women either in processing plants or, as employees of the fishing enterprise, where they can also gain eligible weeks of employment to qualify for UI/EI. Adjustment is not an individual challenge but a family one. Often a fishing enterprise is inter-generational, sometimes with three generations dependent on a single fishing licence for their livelihood. Education levels are often low as young people are lured into the industry by regular income and pressure to add to household earnings, as a result of skill transferability is low. Attachment to the fishery is usually historic and looked on with a sense of independence and pride. There is often a strong resistance to leave the community.

17. In many sectors, industry layoffs and closures are planned and announced years in advance and there is an opportunity for industry leaders and government to work together to develop a full range of adjustment measures. Packages (financial, early retirement or retraining) are negotiated with unions and reductions are often phased in over months or years, the mining industry or the auto industry are good examples. In other sectors where layoffs have been unexpected and swift, such as the structural changes in the high tech sector in 2002, most companies had the financial capacity to provide large cash-outs and the highly educated employees, mostly located in urban centres, were easily integrated into the general work force.

18. The fishing industry is different from most other industries in that decisions to reduce capacity or close fisheries are usually made for conservation purposes, not economic ones. Political pressure from fishers and their communities to keep fisheries open (social and economic considerations versus

conservation) is usually unrelenting. While governments typically provide constant scientific stock monitoring and discussions on stock status between resource managers and fisherman's organizations are usually ongoing, decisions to close fisheries or make substantial quota cuts are usually only taken by both bureaucrats and politicians at the last minute, when no other options are available. This often leaves a window of less than six months for officials to develop policy options and programs for consideration by politicians. It is, therefore, as witnessed by Canada's early efforts in adjustment, easy to make design mistakes.

19. It is incumbent, therefore, on decision makers who manage the fisheries to have an open and constant dialogue, not only with those whose livelihoods will be affected by capacity reduction or closures, but with other governments and agencies who will have a role in providing adjustment programming. There must be a clear understanding by all involved of both the extent of the conservation problem and the objectives of the restructuring measures that will be taken. Targets should be clearly set and fully communicated. It is important that all parties understand the science around stock assessments and recovery rates, and that the message be communicated and continually reinforced. Optimism is the major barrier to adjustment. As verified by Canada's experience under both NCARP and TAGS, people will delay decisions if there is any hope that the resource will recover.

20. Because fishery closures are often species specific, resource managers and officials involved in developing capacity reduction and adjustment measures must ensure that the policies developed do not entice those affected to redirect fishing effort and place undo pressures on other stocks. In Canada, licence and early retirement programming required the disposal of all licences and permanent exit from the fishery. Adjustment programming often requires that a complimentary broader fisheries management policy is in place to set the context for the restructuring initiative and that the implications for existing programs are addressed (e.g., funds for fisheries enforcement preventing re-entry).

21. Those responsible for program design must ensure that a full range of real opportunities are made available to those adjusting. They must be sensitive to the political realities that retraining and mobility options are not always palatable for some segments of the population, especially older workers. Furthermore, heavy investments on the supply-side of labour force adjustment, without some more meaningful effort to create jobs that are accessible to the adjusting population, will not pay off over the longer term. This view is particularly relevant in areas of high structural unemployment such as Canada's coastal communities and much of the failure in Canada's first responses to the groundfish collapse was due to a lack of adequate investment in economic development and alternative job creation.

22. The announcement and timing of large quota cuts or fishery closures, must be well thought out. Announcements, to be most effective for conservation purposes, are generally made immediately before a season. This creates a situation where most fishery workers and their families will have no immediate source of income and most will have expired seasonal unemployment benefits. Without a clear strategy for short-term job creation that will allow workers to re-qualify for UI/EI benefits, there will be immediate demands for income support. As Canada's case history for Atlantic groundfish demonstrates, passive income support can be very costly and a barrier to adjustment. Furthermore, when announcements of closures take place immediately before a season, many fishers will already have incurred significant vessel start up costs. Governments must be prepared to respond to demands for compensation, to assist with vessel tie up costs (moorage and insurance), and requests to waive or reimburse licence fees when no season exists as was the case in the Pacific Salmon fishery.

23. Determining who qualifies for adjustment measures is most challenging. The human side of adjustment creates pressures to be inclusive while fiscal responsibility creates pressures to be exclusive; a balance must be found. There must be a clear policy basis for program design (e.g., economic impact analysis; assessment of number and nature of fishermen, plant workers, vessels and licenses that can be

sustained). Understanding the client base is critical for those involved in policy and program design. A clear analysis of how people fundamentally exist in their current socio economic milieu is mandatory to understanding how people will react to change. The design of eligibility criteria for programming, especially if income support is involved, is very important and if historic attachment to the fishery is a criteria, defining how it will be demonstrated must be well thought out; errors are costly both financially and politically. In early the early stages of the groundfish collapse, Canada's design of eligibility criteria significantly underestimated the number of fishery workers who would qualify for programming requiring significant new investments, creating major policy changes and affecting adjustment results. Under The Atlantic Groundfish Strategy (TAGS) it had been expected that 25,000 fishery workers would qualify. In fact, the design allowed almost 40,000 to qualify for an average entitlement of 220 week of income support with an average weekly benefit of CAD \$228. It was very difficult to get people to adjust out of the program and budget costs for income support could not be sustained under the original design.

24. There also must be assurances that the large numbers of new clients entering a system do not overwhelm the available human resources required to provide the adjustment measures. In large fishery closures such as Canada's Atlantic Groundfish fishery where 40,000 workers were affected, government agencies must assure they have the administrative and financial capacity to identify, process and track individuals. Often data bases that were not originally designed to work together are forced to be integrated, as in the case of fisheries licensing data and income and EI data. There must be open and frequent communications between departments and governments, as well as regions and headquarters as programming roles out, because failures to recognize or respond to problems in one area can have major impacts on other program areas.

25. On the administrative side it is imperative that the proper legislative authorities are in place for making payments and delivering programming and that advice is sought from legal counsel on other appropriate issues. In a post program review, Canada's Auditor General suggested that Fisheries and Oceans Canada did not have proper authority to deliver some programming elements. Officials should ensure that a good management control framework is set up; regular reporting on results, using appropriate indicators and that financial officials are involved in program design and delivery to ensure that appropriate financial controls and systems are established. Canada's first response to its northern cod collapse was hastily designed and many controls were not in place, creating overpayments and payments to ineligible recipients.

26. When budgeting, in order to be responsive, setting nominal rather than fixed budget figures for individual program elements allows senior managers to have the flexibility to move funding between programs without returning to Ministers for permission, which can be time consuming and delay the ability to address changing dynamics. Under TAGS, when income support funding pressures threatened the program, managers were able to move money from other elements giving themselves time to create new policies and longer term solutions.

27. Furthermore, in costing the permanent adjustment program elements designed to lead to economic self-sufficiency outside the fishing industry, policy makers need to ensure that objectives are reasonable and can be accomplished within the resources and the life-span of the proposed program. To benefit from training for alternative occupations, for example, many clients in the fishery will need academic upgrading, and their education and training needs could carry beyond the life of the program, requiring expenditure levels exceeding the projected resources.

28. Rebuilding regional economies is expensive, difficult, and requires real opportunities that often do not exist in isolated, rural communities. Governments are often not prepared for, and do not have the capacity to respond to, crises in the resource sectors with their existing programming. The tool box has to be flexible and governments have to recognize that extraordinary expenditures may be required. Successful



economic development usually requires partnering and in Canada, provincial and local governments along with community groups and affected stakeholders played an important role in ensuring that investments were reasonable and sustainable.

29. Understanding how affected fisheries workers have traditionally made use of UI/EI and related programming, and how adjustment measures will impact that use and the corresponding incomes of individuals and families, is incumbent on policy makers as programming is designed. The ease of accessibility to UI/EI fishing benefits has been identified as not only contributing to fishing overcapacity and continued dependency on income assistance, but as a barrier to adjustment. Canada's experience has been that policy makers may need to consider changes to UI/EI fishing benefits policy within any long term horizontal public policy strategy to improve the sustainability of the fishery. Those changes, however, are often politically sensitive, can impact on the sustainability of rural economies, and are very difficult to make.

30. Mobility issues are very important in adjustment programming and out-migration can be destructive to communities where other local economic opportunities do not exist. It is estimated that many Newfoundland communities lost up to 20% of their populations, much of the 18–35 age group during the ten years of fisheries unrest (1992–2002). One of the positives of UI/EI benefits is that the ability to qualify regularly can be an attractive alternative to out-migration.

31. Early Retirement programs are often criticized because they represent a passive approach to assisting older workers adjust to economic and structural change. They are designed to provide older workers with financial assistance, either to bridge the gap between a job loss and re-employment when EI benefits have been exhausted, or to ensure that they are provided with sufficient income until they become eligible for old age retirement benefits. Income support measures have been found to be significantly effective for ensuring an adequate standard of living among unemployed older workers. Evaluations of income maintenance programs suggest that these approaches have enabled older recipients to enjoy a greater income than unemployed non-recipients, and have reduced the financial hardships associated with a job loss. Income support programs for older workers were; however, found to create disincentives for re-employment. These benefit packages appear to have discouraged older workers from participating in training, re-skilling, and/or adjustment services, thus reducing their potential for re-employment.

32. An evaluation of Canada's Program for Older Worker Adjustment (POWA), which was the model for fishers and plant worker early retirement, measured the post-layoff labour market and lifestyle experiences of over 1,000 program participants compared to a group of over 600 non-participating laid-off older workers with similar characteristics. The evaluation concluded that POWA functioned primarily as a passive support strategy which provided much needed financial support to unemployed older workers who had exhausted any severance and EI benefits. Perhaps understandably, given their average age and employment histories in low-skilled industries, participants had little interest in training. Only ten per cent or less of workers in both the participant group and the comparison group took formal training lasting more than 40 hours following their layoff. The evaluation concluded that POWA was a disincentive to labour market participation.

33. Offering early retirement for older workers as part of an adjustment package, can be a reasonable alternative investment to mobility since it provides the economic base that allows older displaced individuals to stay in the communities, pay taxes and sustain the community. Furthermore, it has declining costs the closer the beneficiary get to 65 (in Canada old age benefits begin at 65), and with the right criteria such as disposal of fishing licences, it guarantees permanent adjustment.

34. One of the primary labour market problems encountered in many rural communities is the increase in the proportion of older workers relative to the number of available employment opportunities.

Policies such as early retirement programming that compensate unemployment and provide disincentives for older workers to retrain and seek re-employment, whatever other drawbacks they may have, can represent a viable means for making room for younger workers.

35. The value of licence retirement as an adjustment tool has been the subject of much discussion in Canada despite its frequent use. During the 1990s Canada spent, almost CAD \$550M to remove licences in both the groundfish and salmon fisheries. The number of licenses in the Atlantic groundfish fishery was reduced from just over 17,000 to about 10,800, a 36% reduction. In the Pacific salmon fishery, there was a licence reduction of about 50% from 4,397 in 19995 to about 1900 in 2000.

36. The design of licence retirement programming can be difficult. Policy makers need to be cautious when identifying targets and ensure that any targets for; licenses including price averages, the retirement of fishers, or capacity, are likely to be attainable and are not unduly rigid. Eligibility criteria are important to ensure that targeted fishers are eligible and apply.

37. It is very difficult to measure the success of licence retirement programming as both a capacity reduction and adjustment tool.

38. First of all licence retirement is very expensive as it recognizes that most fishers will not exit or will delay adjustment, without adequate compensation. Liberal licence transfer policies in Canada have resulted in most fishers relying on the value in their licence as a source of pension; even in difficult times, these licences have had value, including when the original licensing fee was low.

39. Setting licence retirement values in Canada has been a difficult process and experience has been that offering a flat rate is the least acceptable policy choice to fishers as it does not reflect key variables such as vessel size, catch history or historic earnings.

40. Canada has had the most success with a voluntary, multiple round, reverse auction process where fishers set the value they will accept to retire the licence, and regional review boards managed by fishing industry representatives, evaluate bids of comparable price against a number of factors. The multiple round process allows a first round to send key messages about acceptable bid values, and taking bids over an extended period allows for the purchase of licences by government when their values are lowest. The last successful groundfish retirement process in Newfoundland lasted almost 3 years and took 12 rounds of bidding. In contrast, in the Pacific salmon program in 1998, in the first round, the management board accepted only a few bids, clearly messaging acceptable prices. In two additional rounds it was able to meet its fleet reduction targets within budget.

41. Canada has now established a number of precedents in setting the value of particular licences in licence retirement programming and within the voluntary reverse auction process, the price of licences on enterprises of certain size with a certain catch history has been established. It is worth noting that, in Canada, the net cost of buying back a licence is less than gross cost, as fishers have been required to pay capital gains tax on the amount received. Furthermore removing licences with permanent exit criteria has shown to lead to fewer Fishers' EI claims (saving from CAD 2 300–CAD 10 400 per claimant/season).

42. Many fisheries managers, however, continue to argue that licence retirement does nothing about capacity reduction and that 10% of the fleet can still catch 100% of the quota. Many others argue that if a fishery is closed there is no need to buy out licences, that an extended closure will force adjustment and that funds are better spent on retraining, job creation, and new economic development.

43. What is known is that with the proper criteria, such as the requirement for permanent exit and disposal of other licences, fisheries managers can assure that fishers will not remain in the fishery and redirect their fishing efforts putting pressure on other viable or threatened stocks. Regrettably, even with

large licence buyouts, there is no guarantee that individual licence holders can find employment outside the fishery and be successful in their communities.

44. Restructuring and adjustment policy in Canada's fishery remains an evolving science. Adjustment to the new realities of Canada's fisheries will be a lengthy process not just for the individuals but for coastal communities as well, and as such, the evaluation of the success of adjustment programming for those individuals communities will require time. What is clear from the Canada's experience of the last decade is that fisheries departments alone will not have the answers; solutions will remain costly; and success will require a whole of government approach that includes partnering with communities stakeholders.

## **The 2003 Cod Closure**

### *Analysis*

45. In the 2003 closure, analysis had shown that impacts would be most acute in the province of Newfoundland and Labrador and in Quebec. Using the location of plant and harvester concentration, the provincial breakdown of impact was estimated at 60% Newfoundland and Labrador, 30% Quebec, and 10% New Brunswick and Nova Scotia. An estimated 700 plant workers were expected to lose their jobs; an additional 700 would lose Employment Insurance (EI) eligibility, and an estimated 16 plants would close. Approximately 1,600 fishers would fail to earn sufficient fishing income to qualify for future benefits. The ability to earn income derived from fishing or processing would be insufficient to maintain access to EI and to maintain a living wage for up to 3,000 people. Estimates showed that a closure could result in annual GDP losses of CAD \$43 M in the province of Newfoundland and Labrador and CAD \$15 M in Quebec

46. Because of reduced Total Allowable Catch limits as a result of previous conservation measures, in 2000 in Newfoundland and Labrador, the <65' fleet caught CAD 6.45 M worth of fish, of which CAD 2.2 M (34.1%) was cod from the affected stocks. Cod fishers in the affected areas were licensed for groundfish, and had permission to catch cod. Fishers who wish to pursue other fishing opportunities to which they traditionally had access, such as Atlantic halibut, turbot, and other flatfish, were to be permitted to do so and could continue to purchase their licences; however, fixed gear licence holders would have few options to remain in the fishery as those other groundfish stocks, including other flatfishes, lumpfish, pelagics (herring, mackerel) and lobster provided only very modest catches. These vessels did not have the size or the technology to fish outside their area, or for other stocks such as shrimp. Core fishers who did not wish to participate in the groundfish fishery during the cod closure would not lose their licence privileges, however non-core fishers<sup>2</sup> who decided not to renew their licences lost their privilege, as per DFO's licensing policy.

47. The greatest impact would be experienced by the most highly dependent fishers, many of whom held non-core status. This population was characterized by lower average incomes and higher dependency on government transfers. Consequently, closing access to the cod fishery for highly dependent non-core fishers substantially reduced already marginal incomes.

48. The most affected communities were concentrated on the west coast of Newfoundland, southern Labrador, Quebec's Lower North Shore and Gaspésie peninsula. Some were rural, some remote, some

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<sup>2</sup> In the mid-1990s, licences associated with inshore (<65') vessels were split into core and non-core designations. Core fishers are considered to have a longer and greater attachment to the fishery. Core fishers receive priority status for new vessel-based licences. Licences can be re-issued between core members. To retain core status, a fisher must keep at least the number of key licences that was needed originally to qualify for core status. Non-core licences are not transferable, and are terminated when the licence-holder retires

have no roads, and all would face increased economic and employment challenges as a result of these closures. The economic situation in some of these communities would be further exacerbated should there be closures of other fisheries or industries upon which they depended.

49. HRDC data indicated that many affected fishers were older and highly dependent on EI. While most EI recipients were most likely eligible for Canada's EI Part II benefits (i.e. training, self-employment, counseling), past experience in Newfoundland and Labrador showed that only between 12% and 15% of individuals receiving EI benefits actually took advantage of these programs. It was hoped that with an announced long-term fishery closure more of these workers would decide to access this programming. It was also expected that some people would find that they had no other viable option but to go on provincial social assistance. The impact of a severe economic shock would have both immediate and long-term implications for these individuals and their communities.

### ***Canada's Adjustment Tool Kit***

50. In developing the 2003 response, Fisheries and Oceans Canada argued successfully that it did not have the tools to deal with the closure and should not have a lead role in providing programming. It did agree to provide data and analysis where possible. After extensive discussion between key federal departments including Canada's central agencies (Finance, Treasury Board and Privy Council Office) it was decided that Human Resources Development Canada and the regional economic development agencies would have the lead roles in program delivery.

51. At the time the following program options were available for individuals and communities.

### ***Human Resources Development Canada***

52. Human Resources Development Canada had in place a number of programs under the authority of the Employment Insurance (EI) Parts I and II to temporarily support eligible workers who lost their jobs.

53. Under Part I of the *Employment Insurance (EI) Act*, assistance was available to displaced fishers and plant workers who could establish a claim for EI benefits based on the winter fishery or other employment. Under the provisions of the *Act*, eligible self-employed fishers were able to receive up to 26 weeks of fishing benefits based on earnings during a 31-week qualifying period. Salaried fishers and fish plant workers could receive up to 45 weeks of income benefits, depending upon the number of hours worked over the previous twelve-month period and the local unemployment rate.

54. The Work Sharing While Learning (WSWL) initiative targeted companies undergoing restructuring to deal with production slowdowns outside their control. It endeavored to prevent layoffs by encouraging company investment in employee learning and re-skilling. Under WSWL, employees on a reduced work week were able to collect EI Part I benefits on non-work days if the employer arranged for employee training to occur as required to support the company's restructuring plans. The Province of Newfoundland and Labrador was interested in exploring how the program would have application to the affected fish plants.

55. Under the terms of Part II of the *EI Act*, individuals receiving EI benefits or who previously received EI benefits (had an EI claim that ended in the past three years) could be eligible for assistance under the Employment Benefits and Support Measures. More specifically, under this programming, assistance was available to help individuals prepare for, obtain and keep other employment by providing them with services, such as, employment counselling which may include prior learning assessments, career testing (e.g. of essential skills), information on how to find a job, available employment opportunities and future demand occupations. In the Newfoundland region, a significant third party service delivery network

of counselling services assisted workers in making career decisions. While the network would require additional resources, it was well positioned to deal with affected workers in various communities.

56. Eligible individuals requiring literacy instruction, upgrading and re-skilling for other occupations, could receive financial assistance to help pay for the cost of upgrading and skills development and related expenses, while they are enrolled in an approved training program. Newfoundland and Labrador has 16 community colleges and a network of private training institutions that can provide this assistance. As well, financial assistance was available to cover living away from home costs while undergoing training.

57. For eligible individuals interested in self-employment opportunities (e.g., micro businesses), financial support and assistance in business planning was available while they got their business started.

58. The Labour Market Partnerships (LMP) Support Measure was a tool for employers, communities and community organizations to identify human resource and labour market requirements and develop plans to address them. LMP funded activities could support community planning activities for longer-term diversification away from the fishing industry.

59. Canada's EI Part II programs are delivered within the framework of Labour Market Development Agreements (LMDA) that have been negotiated with all provinces and territories except for Ontario. In co-managed agreements (e.g., Newfoundland and Labrador, Prince Edward Island and Nova Scotia), there is joint decision-making and priority setting, combined with federal delivery. In full transfer agreements (e.g., Quebec and New Brunswick), the provinces have sole decision-making authority and delivery responsibilities for similar measures.

60. Approximately 90% of the 2003 affected individuals resided in Newfoundland and Labrador and Quebec and most, or all, would be eligible for EI Part II programming. For 2003-2004, the EI Part II allocation for Newfoundland and Labrador and Quebec was CAD \$130M and CAD \$598M respectively.

61. The Youth Employment Strategy (YES) offered wage subsidies to employers who created meaningful work experiences for unemployed and underemployed youth. YES also provided funding to organizations that developed work opportunities in community service projects for youth at greatest risk for unemployment. It was estimated that approximately 10% of affected fishers and workers were youth.

62. The Older Workers Pilot Projects Initiative (OWPPI) allowed, on a cost-shared basis, HRDC to explore with the provinces, innovative ways to assist older Canadians, (normally between 55 and 64 years of age), who are unemployed or threatened with unemployment, and who may be facing special challenges, because of their age, to reintegrate into the labour market. OWPPI projects are designed, developed, and evaluated by the provinces. The Province of Newfoundland and Labrador indicated that there were opportunities to assist workers affected by the closures through this initiative.

#### *The Atlantic Canada Opportunities Agency (ACOA)*

63. ACOA had two programs that supported community economic and business development priorities of Atlantic Canada; the Business Development Program (BDP) and the Strategic Community Investment Fund (SCIF). From 1998 to 2002, these programs had invested CAD \$15M into the affected areas in Newfoundland and Labrador.

64. The BDP provided assistance to small and medium-sized businesses in Atlantic Canada to start-up, expand, modernize, and become more competitive. Non-profit organizations that provided support to the business community could also qualify. Most business sectors were eligible except retail/wholesale, real estate, government services, and services of a personal or social nature. Eligible activities included business studies, capital investment, training, marketing, quality assurance, and not-for-profit activities that

supported business in the region. Assistance was also available to help bid for and acquire public and private procurement contracts or to develop an innovative product or service.

65. SCIF was one element of a CAD 700 M Atlantic Investment Partnership (AIP), announced in June 2000. This CAD 135 M five-year initiative focused on projects that enhanced and expanded economic infrastructure and capacity, particularly projects that enhanced a region's capacity for innovation and knowledge-based opportunities, or which otherwise, enhanced a region's capacity to effect greater trade and investment opportunities. SCIF specifically targeted non-commercial initiatives that benefit a community or group of communities. Eligible recipients include non-commercial/not-for-profit organizations. Project funding under SCIF was not to exceed 80% of the eligible costs. Financial assistance under this program was in the form of a non-repayable contribution. The Program became operational on June 22, 2001, and the early response indicated that demand would exceed the available funding. It was estimated that the demand for this initiative in Atlantic Canada to 2006 could easily reach CAD \$270M.

#### *Canada Economic Development for Quebec*

66. CED-Q also had two programs that supported community economic and business development priorities for Quebec; the Program of Assistance for development of Small Medium Enterprises (IDEA-SMEs) and the Regional Strategic Program (RSI).

67. The IDEA-SMEs provided assistance to small and medium Quebec enterprises. This program primarily targeted enterprise development. Its goal was to foster business growth by facilitating, among other things, access to relevant information, awareness of development issues, establishment of strategic enterprises and consolidation of their competitiveness through new business practices, innovation and marketing.

68. The RSI program supported the development and implementation of regional strategies and actions plans. Its goal was to foster the creation of a socio-economic environment conducive to economic growth and to enable Quebec regions to fully realize their economic potential, leading in the long-term to lasting improvement in prosperity and employment. The program was used to support major initiatives that were likely to have a strategic impact on the regional economy, in response to major regional issues identified through local consultation, dialogue and mobilization. Among other things, the RSI provided assistance to improve the use and adaptation of appropriate technologies, to attract investment, tourism and international activities.

#### *The 2003 Response*

69. Regular HRDC programming focused on individuals' long term labour market needs, while Canada's Regional Economic Development Agencies' programs were directed at long-term economic development. It was felt that, while comprehensive, neither programming was designed for or flexible enough to offset the severe, short-term, consequences of situations such as this sudden closure of the fisheries. Under their terms and conditions at the time, these programs were unable to respond to the immediate needs of people affected by the fishery closure. It was determined that new short-term measures and resources were needed to address gaps

70. In April of 2003, the Government of Canada outlined a CAD 50 M four-part action plan to assist individuals and communities most affected by the closure and to expand scientific research into the serious decline of these stocks.

71. The announcement included a two-year CAD 44 M community-based economic development assistance investment through the programming of the Atlantic Canada Opportunities Agency (ACOA) and Canada Economic Development—Quebec (CEDQ). To provide assistance for short-term job creation,

Human Resources Development Canada (HRDC) would assist affected individuals and businesses by offering programming under the Employment Benefits and Support Measures (in Quebec and New Brunswick, similar measures are delivered by the province). The Government had committed to increasing the sustainability of local economies by working with stakeholder groups and with provincial governments to determine by the fall of 2003, what further measures would be required for a comprehensive approach towards strengthening the sustainability of local economies, and diversifying the economic base of communities;

72. Significant in the announcement was that there were no funds for long term income support or for licence or early retirement, a major policy change from previous programming. The focus was to provide insurable employment and work experience to prepare individuals in the most at-risk communities for a successful transition. This would complement existing measures provided by HRDC. Great care was taken to ensure that communications were structured to avoid creating unrealistic expectations.

73. The longer-term, capacity-building response was to be focused where there was demonstrated economic potential. In many of the affected communities, emerging opportunities existed, for example in aquaculture, tourism, and light manufacturing. Investments would be targeted where the potential was greatest and be implemented over five years under existing authorities. New resources and modifications to existing terms and conditions were made. One unfortunate reality was that in those communities without sustainable economic potential, people would have little choice but to take advantage of mobility assistance or rely on social assistance.

74. In June, the Minister responsible for ACOA announced that eligibility criteria for the CAD \$25.8M in short term community employment programs had been finalized. The Minister reported that over 90 project applications had been received and that several approvals would be coming over the next several days and weeks.

75. A wide variety of project types would be eligible for funding, under the Short Term Adjustment Initiative, (STAI) including, but not limited to, fisheries diversification projects, ghost net retrieval, community infrastructure, wharves, slipways, environmental cleanups, tourism projects and other initiatives. These project proposals would come directly from the communities and reflect their own priorities. The program was designed to leave some lasting and important infrastructure for the communities while at the same time providing much needed employment to the people affected by the cod closures. Proposals related to upgrading marine infrastructure, including slipways, wharf enhancements and small boat basin developments were also considered.

76. ACOA would pay 100% of eligible project costs under the program and employment would be insurable for the purposes of Employment Insurance. Funding for materials and overheads was included in the projects provided through a modified Strategic Community Investment Fund (SCIF).

77. It was further announced that HRDC would provide \$27M in new funds for an income bridging program for fishers and plant workers affected by the cod closures. to provide temporary financial assistance to those whose EI benefits expired before the community-based economic development could be implemented. Eligibility criteria under the TFI program were later modified to ensure that all fish plant workers and fishers affected by the fisheries closures could apply for temporary income support, provided in the form of a grant. The TFI program was effective from April 27, 2003 to September 6, 2003. It provided financial assistance for a period of up to 12 weeks to eligible individuals, most of whom lived in remote communities where there are few other job opportunities.

78. The TFI program was put in place as part of the Government's broader action plan developed to offset the economic impact of the closure of the cod and crab fisheries on fishers and fish plant workers

significantly affected by the closures. Changes to eligibility criteria meant, among other things, that fish plant workers who were associated with a cod line or cod room in a plant that was not designated as cod-dependent would now be eligible for income support.

79. At this time, no evaluation of this programming has been completed.



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