**INTRODUCTION**

In September 2011, the Conference Board reported that Canada’s global competitiveness had slipped once again from 9th place in 2009 to 10th in 2010 and to 12th place in 2011. Canada’s slipping in the ranking is attributable largely to an increase in the performance of competing nations as opposed to a deterioration of Canadian competitive strengths.¹ This trend is worrisome as technological change and globalization fuel the need for better skilled and educated workers. Canada faces another formidable challenge as it is one of the most rapidly aging nations in the world. An aging population also means an aging workforce. In fact, nearly all growth in the labour force now comes from immigration.

Canada needs people with high skill levels to compete and prosper in a globalized, knowledge-based economy of high-value-added goods and services. Many companies and sectors already face shortages of the skilled people they need to remain competitive and grow. These shortages are expected to get worse in the years ahead as baby boomers retire.

In October 2010, the Canadian Chamber of Commerce released a report entitled: Canada’s Demographic Crunch: Can underrepresented workers save us?² The report highlighted several major challenges for Canada over the next two decades as a result of our rapidly aging workforce. Canada not only faces a skilled labour shortage, but a productivity problem as well. Canada is not unique in its need to address the skilled labour shortage. Labour has become as mobile a factor of production as capital. Canada is now in a global fight for talent.

Canada’s labour force participation can be increased by tapping underutilized segments of the population, including older workers, Aboriginal people, the disabled and recently-landed immigrants. The purpose of this discussion paper is to outline briefly some of the labour force challenges we face and to solicit feedback through a series of questions on potential solutions. The paper is divided into sections that deal with following topics: older workers, aboriginal peoples, Canada’s immigration process, life-long learning, people with disabilities and labour mobility.

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¹ Treading Water Canada is Gradually Losing its Competitive Edge, The Conference Board of Canada, September 2011, p.

² Canada’s Demographic Crunch: Can underrepresented workers save us?, The Canadian Chamber of Commerce, October 2010
CHALLENGE 1 – DOMESTIC SKILLS DEVELOPMENT

OLDER WORKERS: CREATING INCENTIVES AND REMOVING DISINCENTIVES TO STAY IN THE WORKFORCE

Creating Incentives
The proportion of our population aged 60 and over is expected to grow from roughly one-fifth of the Canadian population today to nearly a third by the mid-2020s. To fully utilize the growing pool of potentially available older workers, as well as permit employers to benefit from the skills of existing older workers for a longer period, business could consider implementing innovative firm-based work arrangements more suited to the older workers’ lifestyle needs. Flexible work arrangements like: part-time or part-year schedules, flexible working hours, compressed work weeks; job sharing, telecommuting, home sourcing (i.e. working from home), and contract work can make a valuable contribution to increasing labour force participation.

Removing disincentives
The federal government’s Old Age Security (OAS) program, tax-assisted private savings policies, and public pension plans provide disincentives for people to continue to work past age 65. Some of these disincentives are as follows:

The OAS is an extremely important benefit that has become an essential part of the income for people with low and inadequate sources of income at retirement. However, when people reach age 65, the OAS pension available is progressively clawed back. The claw-back starts at individual net income levels above $66,733 and OAS is fully clawed back at income levels of $108,090. At the threshold where the OAS payments are reduced, a potentially employable older person has to think twice about working, knowing that the net result is a lower per hour pay cheque based on this claw-back.

Another disincentive to keep working is the current federal policy that, a person must withdraw his or her Registered Retirement Savings Plan (RRSP) funds, transfer them into a Registered Retirement Income Fund (RRIF), or use them to purchase an annuity, before the end of the year containing his/her 71st birthday. This is a further disincentive to work, as these funds, which must be taken out of the tax-sheltered status, are then taxed at one’s marginal rate. Some people at age 72 would and could work, but fail to see the value in working when they stand to lose large amounts of the money they previously saved for retirement.

A further work disincentive is the current pension system in many provinces/territories which does not effectively allow for part-time worker pensions. While some provinces/territories allow a retired eligible employee to withdraw a very small amount of pension while still working, other jurisdictions do not even provide this flexibility. Many people would continue to work, but after age 60, they also seek more leisure time after a lifetime of working. Legislative changes could be made to enable workers to transition to full retirement by providing them with the flexibility to receive a portion of their employer pension plan benefits while working part-time.

Questions

1. What are you doing to attract and retain older workers?

2. What practices have you found to be successful in creating an all-inclusive workplace?

3. What changes could the business community implement to encourage Canadians to continue working after age 65?
Canada’s largest untapped labour pool: Aboriginal Peoples

A combination of underemployment, a younger-than-average population, and individuals rooted in the local community make the Aboriginal population an ideal pool of talent for the future. Fully engaging Aboriginal people and communities in the economy and labour force ought to be a national priority.

Aboriginal Canadians represent the fastest growing segment of Canada’s population and a significant potential source of skilled labour as Canada’s population gets older. An estimated 400,000 Aboriginal Canadians will reach the age to enter the labour market over the next decade. Lower levels of education remain a major obstacle to full participation in the workforce. More than one-third have not completed high school and less than 10 per cent have a university degree, compared to the national average of 23 per cent. Poor Aboriginal education and labour market outcomes are also linked to the unique cultural, social and structural characteristics that distinguish Aboriginal people from the population at large. The full participation of Aboriginal peoples in Canada’s education system is crucial to meeting future labour market challenges. The Aboriginal population represents the largest untapped labour force in the country.

Education is strongly linked to obtaining employment. However, education levels on-reserve are well below those of the population at large. Success has been demonstrably achieved with provincial/territorial involvement in Aboriginal education through tripartite agreements between the federal and provincial/territorial governments and Aboriginal communities. Engaging Aboriginal youth, however, also requires the use of new media. This means overcoming current tendencies to favour traditional forms of communications in education delivery and government funding decisions, as well as addressing various issues, including costs and broadband access. While improved educational attainment, skills training, and a more accepting and inclusive work environment are beneficial, a major barrier to improved labour market outcomes continues to be the level of economic development on-reserve.

A study by the Centre for the Study of Living Standards illustrates the kind of impact that would result if the education and labour market outcomes of Aboriginal Canadians reached the 2001 level of non-Aboriginal Canadians by 2026. Income would increase by $36.5 billion, total tax revenue would increase by $3.5 billion and government expenditures could also decrease by $14.2 billion.

3 Notes for a presentation to the Senate Standing Committee on Social Affairs, Science and Technology by the Association of Universities and Colleges of Canada, October 7, 2009.

Questions

1. Are you aware of any government Aboriginal human resource programs of the government and, if not, do you know where you can find information about them?

2. Are there Aboriginal populations in your region that could be leveraged more effectively to meet employer needs? What are the obstacles to doing so?

3. Do you have any suggestions for pilot projects the government could run at Canada’s post-secondary institutions to improve the success, retention and transition into the labour market of Aboriginal students?

4. What government initiatives could be developed to allow you to more effectively hire and retain Aboriginal employees?

5. What other initiatives ought to be undertaken by business, government and Aboriginal communities to promote better Aboriginal economic and labour market outcomes?
**LIFE-LONG LEARNING**

The rapid pace of technological change and the effects of globalization necessitate that both businesses and individuals embrace the notion of life-long learning. This encompasses education, training and re-skilling of the workforce. The business community needs to partner with government and educational institutions to expand training opportunities to address tomorrow’s labour market’s needs. Apprenticeship training programs are an effective path to a career in the skilled trades. Total apprenticeship registrations in Canada have been on the rise in recent years, exceeding 400,000 individuals in 2009⁵.

Internship programs can provide extensive workplace experience. Co-op programs can offer relevant work experience as well as focus on education. These work-based models are an essential component to building a highly skilled and productive labour force for an innovative, strong and growing economy.

**Questions**

1. To what extent does the fear of losing better-trained employees prevent businesses from upgrading their workers’ skills?

2. How do you encourage your employees to upgrade their skills?

3. What measures could be adopted by government to encourage you to invest more in employee training?

4. What government incentives would encourage your employees to take the initiative to upgrade their skills?

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Early Childhood Programs

Among developed countries, Canada comes dead last in spending on early childhood programs. Currently, Canada spends only about half of what the U.S. and the UK do on early learning and care, as a percentage of the GDP. The Scandinavian countries all spend five times as much, or more, and are reaping the benefits in greater employability for all parents, more taxes paid, enhanced child development and lower costs of welfare and social services.

Such programs are costly, and they are hard to implement at a time when government resources are thinly-stretched. However, it can be argued that investing in early childhood development can augment Canada’s ability to compete globally. Targeted investment in early childhood development can ultimately enhance school readiness, increase the efficiency of primary school investments and human capital formation, reduce social welfare costs, stimulate community development and produce higher economic productivity.

Questions

1. Do you agree that investing in early childhood education development can augment Canada’s ability to compete globally?

2. What early childhood education programs could the government fund to improve the long-term productivity of Canada through a better educated, more highly skilled workforce?
POST-SECONDARY EDUCATION

Over the last 20 years, demand for post-secondary graduates has driven all of Canada’s employment growth. Going forward, Canada’s economy will demand ever-higher levels of formal education and skills for employment. “Canada’s relative under-production of graduate degrees, especially compared to the United States, is widely identified as a barrier to increasing our country’s international competitiveness and productivity.” An affordable, accessible and high quality post-secondary education system is key to ensuring a large and growing pool of skilled and knowledgeable workers to meet future labour market needs.

In 2006, Canada sat 20th among OECD nations in the proportion of youth enrolled full-time in university soon after completing secondary school. We are also producing too few entrants into the skilled trades. Given Canada’s rapidly aging population, postsecondary institutions will need to be more responsive to the needs of mature adult learners by offering more flexible programs, providing a greater variety of delivery methods and accommodating different learning styles.

A highly educated and skilled workforce will enable Canada to shift its economic activity to higher value-added production and services as well as encourage the use of new technology and make its national economy more resilient to economic shocks.

Educational attainment also translates into better employment prospects, as seen in Canada and other OECD countries. In 2009, Canada’s employment rate for adults aged 25 to 64 who had not completed secondary education was 55 per cent. The rate for graduates of college and university programs was 82 per cent6.

Additionally, better skilled and educated workers are more mobile across occupations, industries, and regions, making for a more flexible labour market.

Questions

1. How can businesses, high schools and post-secondary institutions work together to prepare students for the workforce?

2. What initiatives do you think would encourage young people to pursue post-secondary studies alongside work?

3. How can we do a better job of encouraging students to consider the skilled trades as a career alternative?

4. What incentives would encourage you to create an apprenticeship, an internship or a co-op placement for a student?

5. How can business better promote the opportunities and benefits of apprenticeship, internship and co-op placements to youth?

6. Would you consider student sponsorship in the form of a bursary?

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6 Source, Education Indicators in Canada, an international perspective, Statistics-Canada, The Daily, September 13, 2011
Skilled Trades

Many businesses are finding it increasingly difficult to hire new employees who belong to the skilled trades, in part because we continue to stigmatise the trades. The federal government works with sector councils, the provinces and territories to support skilled trades and apprenticeship. The government-funded Canadian Apprenticeship Forum (CAF) promotes apprenticeship and the skilled trades, supports research, and facilitates dialogue on issues affecting apprenticeship and the skilled trades across Canada. According to the CAF, only one in five employers who could potentially train apprentices, participate in apprenticeship training. Participating employers are eligible for the Apprenticeship Job Creation Tax Credit (AJCTC). The AJCTC is a non-refundable tax credit equal to 10 per cent of the eligible salaries and wages payable to eligible apprentices in respect of employment. The maximum credit an employer can claim is $2,000 per year for each eligible apprentice.

Questions

1. How can the business community help promote skilled trade occupations?

2. Are you aware of the financial support that is made available by government for apprenticeships?

3. What changes need to be made to apprenticeship programs to make them more effective?
PEOPLE WITH DISABILITIES

Approximately 30 per cent (about 570,000) of Canadians with some type of disability are able to work yet do not participate in the labour force. Of those that do, about one-third require job redesign or a modified work schedule to be able to work. Providing Canadians with disabilities with opportunities for greater participation in the workforce is not only advantageous to Canada’s workforce needs, it also directly contributes to improving the economic and social well-being of people with disabilities by opening doors to their professional development. Technological advances in medicine and in information technology may allow greater work participation among the disabled.

Questions

1. What steps could the business community take to increase the awareness of the latent potential of people with disabilities?

2. What can business do to better integrate this segment of the population into the workplace? What are the best practices the businesses can employ?

3. What programs could the government put in place to assist business to recruit or retain disabled workers?

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**LABOUR MOBILITY**

Today, Canada is almost unique in maintaining internal (interprovincial/territorial) barriers on the internal free movement of both people and goods. It is high time that these impediments to the free movement of workers, goods and investment in Canada be removed. Many regulatory barriers on interprovincial trade and the movement of labour defy economic sense and foster a defensive mindset between provinces and territories that weakens businesses whose economic competitors are global.

Internal barriers harm productivity through unnecessary financial and timeliness costs for businesses, and by hampering the development of economies of scale. Canada’s businesses believe the dismantling of interprovincial/territorial barriers to trade, investment and labour mobility is imperative for Canadian competitiveness and productivity.

Certain elements of the New West Partnership Trade Agreement (NWPTA) between British Columbia, Alberta and Saskatchewan could serve as the foundation for a nationwide pact.

The Organisation for Economic Co-operation and Development (OECD), in its 2004 *Economic Survey of Canada* stated that the rules governing Employment Insurance (EI) in Canada should be reformed to address persistent unemployment. The OECD made a number of recommendations that are equally valid today. Two of the recommendations have implications for labour mobility. The first recommendation called for the reconsideration of the present rules that offer more generous EI benefits in regions where unemployment is high so as to achieve a better balance between providing stronger incentives for job search and a fair access to benefits among regions. The second recommendation dealt with the favourable treatment of seasonal, full-time work for those working close to the minimum qualifying hours, especially in high unemployment areas.

Questions

1. What interprovincial/territorial barriers currently affecting your business?
2. What role could business play in the removal of interprovincial/territorial barriers?
3. How should the Employment Insurance regime be modified to reduce its impact on labour mobility across Canada?
4. Should the federal government develop “mobility incentives” through tax policy to encourage unemployed workers to consider relocating, even temporarily, rather than remaining unemployed where they are?
CHALLENGE 2 – IMMIGRATION POTENTIAL – IMPROVING CANADA’S IMMIGRATION PROCESSES

Many countries are aggressively competing with Canada for the world’s talent pool. To succeed, Canada must continue to build a more responsive and strategic immigration system that fast-tracks individuals with the skills needed by employers, and aggressively market Canada abroad as a destination for skilled immigrants and international students. In the past five years, Canada has relied on immigration for more than two-thirds of its population growth and, within the next decade, immigration is projected to contribute 100 per cent of net labour force growth in Canada.

The Conference Board of Canada predicts that by 2020, Canada will experience a labour shortage of nearly one million people. Immigration will play an essential role in addressing these short- and long-term labour market needs. Canada has much to gain from allowing its immigrants to realize their full potential and much to lose from failing to do so. There are several challenges to fully tapping the potential of immigrants.

PERMANENT WORKERS

Hiring a foreign worker to come to Canada as a permanent resident has become extremely difficult based on the time it takes to get an employee and their family admitted to Canada. First, the process is lengthy (six months). Unless potential immigrants can make a case that their skills are in demand and that a Canadian is not available to take the position, the application is rejected. The government approval process involves both Human Resources and Skills Development Canada (HRSDC) and Citizenship and Immigration (CIC). If HRSDC statistics show a lack of demand, the case is lost. Unfortunately, the statistics do not factor in localized or specialty needs. They are based solely on surveys and reports that are often flawed as Immigration and HRSDC may not communicate effectively with firms that require the skills. A database allowing the federal and provincial governments, businesses and other stakeholders to compile and exchange information on labour needs and foreign qualifications may be useful.

The lengthy wait times for approval from Citizenship and Immigration Canada virtually guarantees that the foreign worker will seek other opportunities. Applications for permanent residency are processed on a first-come-first-served basis, rather than according to their urgency. By providing more transparent and realistic timelines for the permanent residency process, it would be possible to attract more foreign nationals to make their homes and livelihoods in Canada so as to fuel our growth potential.

Questions

1. Do you currently employ recent immigrants?
2. What has been your experience with the process of hiring foreign workers?
3. What changes should be implemented in order to improve the efficiency of the Federal Skilled Workers Program (FSWP)?
TEMPORARY FOREIGN WORKERS

Having access to the skills they need is essential for Canadian businesses to compete and to grow. Most employers rely on the Temporary Foreign Worker (TFW) Program to bring workers into Canada, even if the intention is to recruit long-term employees. Recruiting temporary foreign workers is generally a two-step process: the first step is a Labour Market Opinion (LMO) from Service Canada, followed by a visa or work permit, which is provided by Citizenship and Immigration Canada at understaffed centres overseas. Obtaining a LMO, which is viewed as confirmation that there are no Canadians available to fill the position, currently takes approximately four to six weeks plus the time for required advertising and recruiting. The previously implemented expedited LMO (e-LMO) process, which was designed to speed up the process for selected occupations, has now been discontinued.

This leaves a regular LMO process that is still slow and unresponsive to current labour market conditions related to pay, labour shortages, and recruitment processes. Many of the recruitment advertising requirements, particularly for some of the professional and high skilled occupations, are out of touch with how the business community actually recruits such talent. This information gap means that these processes do not currently distinguish between the various categories of workers based on skill levels, such as professional, skilled, semi-skilled, low skilled and non-skilled. Applications for low skilled workers should not draw away from applications from those who are highly skilled, given the economic benefits created by the latter, as education and spin-off employment occur through the hiring of professionals and other highly-skilled people.

Questions

1. What actions should be taken to speed up the Labour Market Opinion (LMO) approval process?

2. How should the list of demand occupations be improved?

3. What changes should be implemented in order to improve the efficiency of the Temporary Foreign Worker Program?

4. How can a higher priority be given to applicants with skills that are in short supply in the Canadian labour market?
International Students

International students studying at Canadian post-secondary institutions are another valuable source of skilled workers for our country. To be accepted at a university or college, and to successfully achieve a Canadian post-secondary credential, students must be proficient in either one of our official languages. These students develop an attachment to the Canadian labour market through working off-campus during their studies and, once they complete their programs, have Canadian credentials. In addition, foreign students contribute over $6.5 billion to the Canadian economy annually. Slow processing times and backlogs negatively impact the approval of student visas and hinder effective recruitment of students and future employees.

The Canadian Experience Class (CEC), which allows qualified temporary foreign workers and foreign students who graduated from Canadian post-secondary institutions to become permanent residents, is a commendable initiative. The CEC must prioritize those international students graduating in fields corresponding with real Canadian labour needs.

Questions

1. Would you consider hiring a foreign student?
2. What measures would help you hire and retain foreign students as future employees?
3. Would you consider foreign student sponsorship in the form of a bursary?
4. What changes should be implemented in order to improve the processing of foreign students?
5. What steps can Chambers of commerce and local communities take to encourage foreign students to remain in Canada after graduation?
Integration Services for Immigrants

The complexity of the Canadian immigration system renders the process extremely difficult for newcomers. Without knowledge of the customs and culture of the place where they have chosen to settle, immigrants cannot truly become contributing members of the community. The quality of employment of recent immigrants is well below their educational attainment and experience.

To fully utilize the skills of immigrants in Canada, it is necessary to have suitable integration services. There is a wide range of government-supported and non-profit programs that deal with different aspects of immigration. However, there is no centralized integration service organization at either the federal or provincial/territorial levels that would coordinate integration policy for new immigrants.

The most severe impediments to labour force integration for recent immigrants are lack of Canadian work experience, lack of recognition of foreign credentials and language and cultural tradition barriers.\(^8\)

Settlement and integration programs and services that focus attention on employment-related language training, internships, mentoring and other labour market access supports can help to fully integrate immigrants into the workplace.

Questions

1. How can businesses, education institutions, and government work together to improve the evaluation of foreign credentials, qualifications and certification?

2. What can be done to improve information sharing between business and governments on current and anticipated labour market needs?

3. How can the federal government better market Canada as a destination of choice to potential immigrants?

4. What can your business do to help facilitate the integration of immigrants into your community?

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Conclusion

This discussion paper built upon the findings contained in the Canadian Chamber of Commerce’s report entitled: Canada’s Demographic Crunch: Can underrepresented workers save us. The discussion paper dealt with the following issues: older workers, aboriginal peoples, Canada’s immigration process, life-long learning, people with disabilities and labour mobility. A series of questions were presented to stimulate discussion and to gain new insights into potential solutions to the challenges.

International competition today is fierce and it grows every day. Canada has no choice but to benchmark itself against the very best in the world in order to maintain its high standard of living. The implications presented by a rapidly aging population and stagnant growth in the labour force are very serious for Canada. Addressing domestic labour constraints will not only improve Canada’s economy, but will also better position Canada to compete on a global scale.

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