



Labour Demand and Supply in Canada: The Big Picture

Highlights

- There is little quantitative evidence pointing to widespread shortages of labour in Canada today, nor are significant national-level shortages expected in the foreseeable future.
- Unlike many other advanced economies, Canada can look forward to continued growth in the size of the working-age population, with the labour force projected to expand by between 2 and 4 million people between 2010 and 2031.
- Canada still has room to augment the labour force by boosting participation rates among women, First Nations, first-generation immigrants, disabled persons, and individuals aged 60 and over.
- Federal government projections through the early 2020s suggest a “balanced outlook” for labour supply and demand in occupational categories accounting for approximately two-thirds of existing jobs. Occupations representing 14% of current employment are expected to experience “shortage conditions,” while occupations constituting 18% of the current workforce are likely to see an excess supply of labour.
- Despite Canada’s relatively favourable overall labour supply situation, there continue to be shortages of qualified workers in some occupations and regions. Such shortages may intensify as the labour force growth rate slows post-2020.
- More can and should be done to ensure that Canada’s education, training and immigration systems and policies are better aligned with and responsive to shifts in the demand for skills and changes in technology and the competitive environment.
- To succeed in the future, many Canadian enterprises and academic institutions must have the ability to recruit and retain specialized global talent to help grow companies, drive innovation, build new markets for products and services, and lead research. This imperative of global talent acquisition needs to be reflected in immigration policies and processes.

Concerns over labour shortages continue to be voiced by some leading employer organizations. The Canadian Federation of Independent Business, the Canadian Chamber of Commerce, and the Conference Board are among the groups that have identified shortfalls in the supply of workers as a priority public policy issue. Some individual industry sectors – from trucking to

construction, the IT industry, mining, and the electricity sector, among many others – have produced reports that highlight current or projected national-level worker shortages in certain occupations. Such sentiments are also common among employers here in British Columbia.

Economists and other social scientists who analyze the labour market tend to be

resistant to anecdotal stories and to the pleas of business owners scrambling to fill entry-level positions. They generally favour quantitative evidence to inform a well-grounded understanding of relevant trends in the economy. And on the whole, it is fair to say that evidence of widespread labour shortages in Canada has been slow to emerge – if it exists at all.

Overall, academic researchers evince skepticism toward the claim that Canada is facing either broadly-based labour supply shortfalls or severe and persistent skills deficits that are hindering economic growth in a substantive way. An important reason for this skepticism is the lack of data indicating strong, sustained pressure on wages and salaries across large swathes of the economy. In a market-based economy, imbalances between supply and demand normally lead to changes in “prices” – and in the labour market context, this equates to changes in workers’ pay. Based on trends in wages/salaries, there are few signs of appreciable labour supply gaps in Canada today.

This is not to deny that skill shortfalls may exist in some communities or regions, or in certain occupational categories. Temporary skill and occupational shortages – sometimes very locally-based – are to be expected in an economy made up of many diverse regions and industries that has been undergoing structural change under the pressures of globalization and technological innovation. But pervasive deficiencies in the supply of workers are not a serious problem in Canada at present. This observation

reflects a macroeconomic view that considers the overall economy and labour market in Canada. The labour supply situation may be different when looked at through the lens of a particular region or industry. And given Canada’s aging population and shifting patterns of growth across industry sectors, it makes sense to ponder how the demand for and supply of labour are likely to evolve in the coming years.

Labour Supply Projections

Unlike some other affluent economies, Canada benefits from having a “working age population”¹ that continues to expand in absolute size. Under all of the demographic scenarios developed by Statistics Canada, the national labour force² grows through 2031, by which time it stands between 20.5 and 22.5 million persons, depending on the assumptions made about population growth, immigration, and labour force participation rates by gender and age group. In 2010 the labour force was 18.5 million.³ So even with “low-growth” assumptions about future immigration and trends in workforce participation, the national labour force increases by at least 2 million between 2010 and 2031. Using less conservative assumptions, by 2031 Canada’s labour force might be up to 4 million larger than it was a few years ago.

Canada has also been comparatively successful in encouraging and supporting workforce participation by the population. As depicted in Figure 1, in 2012 Canada had the third highest labour force participation rate (for individuals aged 15 to 74) among all

¹ Defined as persons aged 15 to 64 or 15 to 74, depending on the source used.

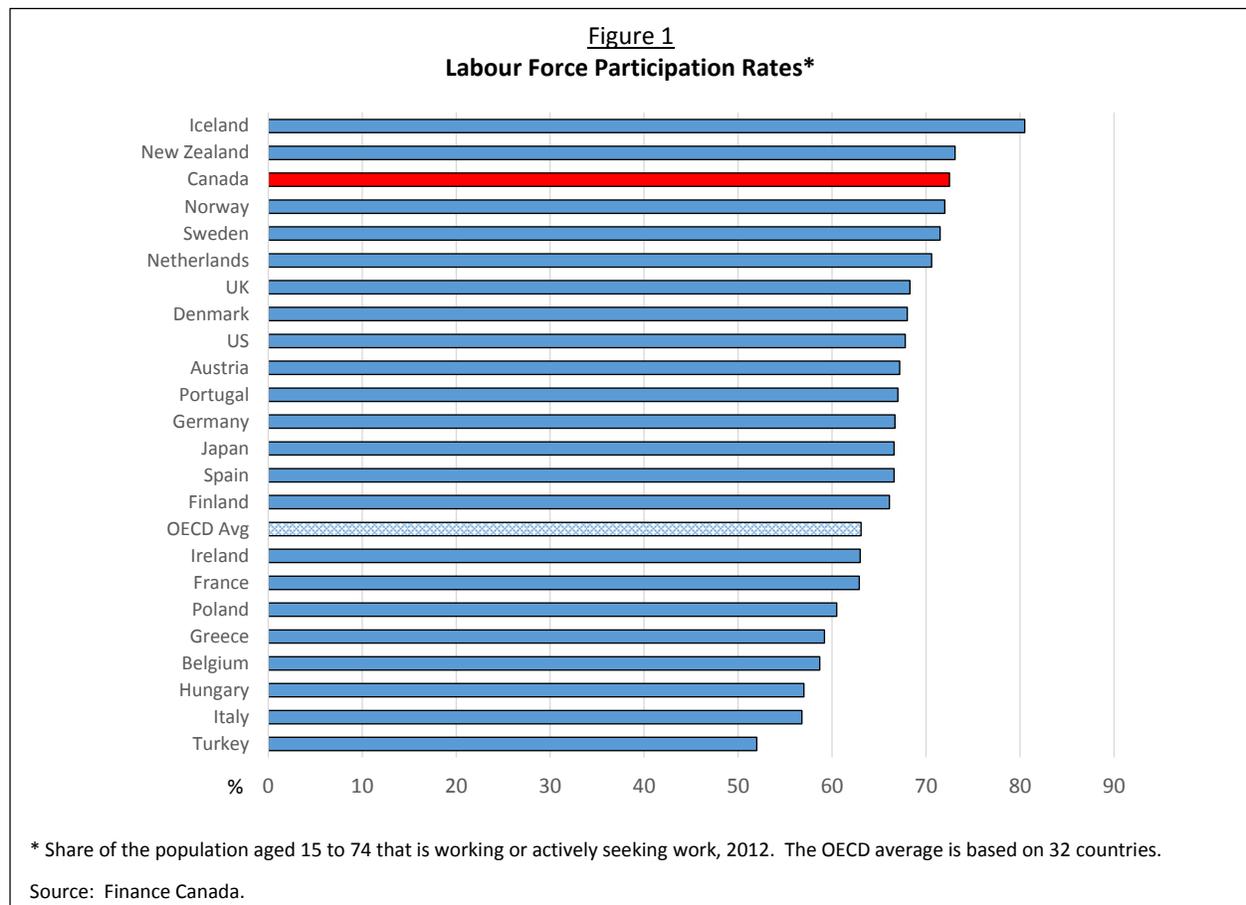
² Here defined as persons aged 15 to 64.

³ Statistics Canada, “Projected trends to 2031 for the Canadian labour force,” www.statcan.gc.ca/pub/11-010-x/2011008/part-partie3-eng.htm; accessed on August 18, 2015.

advanced economies. There is considerable cross-country variation in labour force participation rates, ranging from 80% in Iceland to less than 60% in Greece, Belgium, Italy, Hungary and Turkey. For the OECD as a whole, the labour force participation rate averages 64%.⁴

Turning to labour demand, most employers will need to replace retiring/departing workers in the next several years, while some will be adding to their employee counts due to business growth. In addition, vast numbers of new “micro-businesses” are formed every year in Canada, and this also increases the demand for labour.⁵

How will developments on the demand side of the labour market align with trends in the supply of workers – both in aggregate, but also according to the mix of educational, professional and technical qualifications sought by employers? The federal government’s Canadian Occupational Projection System (COPS) sheds some light on this topic. Looking to the early 2020s, the most recent COPS forecasts suggest a “balanced” outlook for labour demand and supply for a large majority of the 283 occupational categories counted in the COPS model. Specifically, occupations accounting for about two-thirds of existing jobs are



⁴ Department of Finance, Jobs Report: The State of the Canadian Labour Market, 2014.

⁵ In Canada, the demand for labour from “new” business ventures and ongoing growth in the small business sector

is to a large extent offset by job losses among failing and shrinking businesses. However, in most years there is a net gain in total employment for the small business sector taken as a whole.

expected to be in rough balance through 2022, occupations representing 14% of current employment are on track for “shortage conditions,” and occupations amounting to 18% of today’s workforce are likely to see an excess supply of qualified workers relative to the demand.⁶

Box 1 on the next page provides a summary of some of the occupations projected to experience “shortage conditions” through 2022, based on the latest COPS assessment. Many of these are managerial, professional or other “high skilled” occupations, as defined by COPS. A number are occupations where demand already exceeded supply at the beginning of the decade or sooner.

Labour Shortages:

Findings from the Academic Research

A review of recent peer-reviewed academic and policy research on trends in labour supply and demand in Canada leads to a number of high-level conclusions that are consistent with the commentary above.⁷

- First, as noted already, there is no evidence of a national-level labour shortage. Unlike some other advanced economies, Canada will record meaningful growth in the working-age population through at least 2030. This mainly reflects immigration as well as modest increases in women’s and older workers’ participation in the labour force.
- Canada has “under-utilized” populations from which additional workers can be

drawn in the future. Such groups include aboriginals, women, disabled persons, and unemployed or under-employed first generation immigrants.

- Notwithstanding the above points, pockets of labour and specific industry- and occupation-based skill shortages do exist in Canada, particularly in the west where economic activity, until recently, has been more robust than in other parts of the country, and also in health-related fields, some of the skilled trades, and certain technical occupations.
- Rather than a generalized shortage of labour, arguably the most vexing “talent” issue for Canada is attracting and retaining the top-flight skills needed to provide leadership, drive innovation and build successful firms in an increasingly competitive global economy.
- Looking further ahead, the national job market will tighten as the baby-boom generation slowly exits the workforce. As labour force growth rates gradually slow post-2020, many employers will find it harder to fill vacant positions, and pay levels in some occupations can be expected to climb.

The above observations are not meant to minimize the human resource challenges facing some employers, industry sectors or regions. Occasional skill shortages and mismatches are to be expected in a diverse market economy like Canada that is made up of several distinct regions. Persistent skill

⁶ Employment and Social Development Canada, “Canadian Occupational Projection System (COPS): Imbalances Between Labour Demand and Supply, 2013-2022.”

⁷ For useful reviews, see Parliamentary Budget Office, Labour Market Assessment: 2014, March 2015; Susan McDaniel et al; “An Aging Workforce and the Future Labour Market in Canada,” Canadian Public Policy, June

2015; Cliff Halliwell, “No Shortage of Opportunity: Policy Ideas to Strengthen Canada’s Labour Market in the Coming Decade,” Institute for Research on Public Policy, 2013; and K. McQuillan, “All the Workers We Need: Debunking Canada’s Labour Shortage Fallacy,” School of Public Policy, University of Calgary, 2013.

<u>Box 1</u> Occupations in “Shortage” Conditions Over 2013-2022 According to COPS	
Skill Types	Occupations in Shortage
Business, Finance and Administration Occupations	0121 – Insurance, Real Estate and Financial Brokerage Managers. 1112/1113 – Financial and Investment Analysts & Securities Agents, Investment Dealers and Traders. 1122 – Professional Occupations in Business Services to Management. 1221/1222 – Administrative Officers & Executive Assistants. 1224 – Property Administrators. 1432 – Payroll Clerks.
Natural and Applied Sciences and Related Occupations	0213 – Information Systems and Data Processing Managers. 2120 – Life Science Professionals. 2131 – Civil Engineers. 2133 – Electrical and Electronics Engineers. 2146 – Aerospace Engineers. 2148 – Other Professional Engineers, n.e.c. 2173 – Software Engineers. 2232 – Mechanical Engineering Technologists and Technicians. 2234 – Construction Estimators. 2243/2244 – Industrial Instrument Technicians and Mechanics & Aircraft Instrument Electrical and Avionics Mechanics, Technicians and Inspectors.
Health Occupations	0311 – Managers in Health Care. 3111 – Special Physicians. 3112 – General Practitioners and Family Physicians. 3113 – Dentists. 3132 – Dietitians and Nutritionists. 3141 – Audiologists and Speech-Language Pathologists. 3143/3144 – Other Professional Occupations in Therapy and Assessment. 3151 – Head Nurses and Supervisors. 3152 – Registered Nurses. 3213 – Animal Health Technologists. 3231 – Opticians. 3233 – Registered Nursing Assistants.
Occupations in Social Science, Education, Government Service and Religion	4121 – University Professors. 4131 – College and Other Vocational Instructors. 4151 – Psychologists.
Sales and Service Occupations	6241 – Chefs. 6262 – Fire-fighters. 6272 – Funeral Directors and Embalmers. 6460 – Other Occupations in Protective Service. 6472 – Elementary and Secondary School Teacher Assistants.
Trades, Transport and Equipment Operators and Related Occupations	0712 – Residential Home Builders and Renovators. 7212 – Contractors and Supervisors, Electrical Trades and Telecommunications Occupations. 7217 – Contractors and Supervisors, Heavy Construction Equipment Crews. 7220 – Supervisors, Railway and Motor Transportation Occupations. 7242/7243 – Industrial & Power System Electricians. 7265 – Welders and Related Machine Operators.
Occupations Unique to Primary Industry	0811 – Primary Production Managers (except Agriculture). 8220 – Supervisors, Mining, Oil and Gas. 8232 – Oil and Gas Well Drillers, Servicers, Testers and Related Workers. 8614/8615 – Mine Labourers & Oil and Gas Drilling, Servicing and Related Labourers.
Occupations Unique to Manufacturing and Utilities	9481 – Aircraft Assemblers and Aircraft Assembly Inspectors.
Source: ESDC 2013 COPS Projections. The four-digit figures in the second column refer to the relevant National Occupational Classification codes.	

shortfalls, where they exist, can be a sign that the “supply side” of the labour market isn’t performing optimally. In the Canadian post-secondary education and training system, there continue to be mis-alignments between the types of graduates and credentials being produced, on the one hand, and the pattern of labour market demand, on the other – although the extent and implications of this problem are hotly debated. As a country, undoubtedly we could be doing a better job in matching the supply and demand for skills, and also in helping young adults make the transition from school to the workplace. This realization recently prompted the Canadian Council of Chief Executives to launch an important new initiative on “Jobs and Skills for the 21st Century.”⁸ It also underlies the BC government’s “Jobs for Skills” strategy unveiled last year.

It is also clear that some regions and communities distant from metropolitan centres are confronted by the reality of dwindling working-age populations – a situation that makes it hard to sustain existing businesses, let alone to foster economic growth. Meeting the needs of such communities is one justification for maintaining a temporary foreign worker program as a component of a broader immigration strategy that is geared to advancing Canada’s economic prosperity. The recent challenges facing employers in Whistler, BC highlight the fact that some communities may find it all but impossible to domestically source the labour that is required to operate local businesses. In the case of Whistler, changes to the federal temporary foreign worker program in 2014-

15 forced some businesses to cut back their operations owing to a paucity of seasonal workers.⁹ Apart from the need to deal with seasonal labour demand pressures in industries like tourism and agriculture, there is a role for foreign workers to meet a portion of the demand for labour associated with large infrastructure and resource-related projects in areas of the country far removed from populated metropolitan communities.

Finally, to succeed in the future, many Canadian enterprises and academic institutions must have the ability to recruit and retain specialized global talent with the skills and experience required to grow companies, drive innovation, open new markets for Canadian products and services, and lead research programs. This imperative needs to be reflected in Canada’s immigration policies and processes.

All of that said, the good news is that Canada is better positioned, from an overall labour perspective, than many other affluent economies. The aggregate supply of workers is still growing, the employed population is becoming better educated, immigration provides a steady influx of skills and willing hands, more people over the age of 60 are staying engaged in work, and the education and training systems, despite shortcomings, offer flexible entry points and a variety of pathways for young people seeking to acquire skills and credentials.

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⁸ For details, go to www.ceocouncil.ca.

⁹ “Whistler businesses struggle to stay afloat a year after TFW changes,” *Business in Vancouver*, August 14, 2015 (www.biv.com).