
No Shortage of Opportunity:

Policy Ideas to Strengthen Canada's Labour Market in the Coming Decade

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Issues I Will Address:

1. There *won't* be shortages of labour
2. There *will be* shortages of labour
3. The labour force *won't grow much*
4. There are *plenty of new entrants* to the labour market
5. Youth are getting *enough* education
6. Youth may not be getting the *right* education
7. We *should not* invest more in training
8. We *need to* invest more in training

1. There *won't be* shortages of labour

- Yes, there will be millions of new job *openings*
- There will also be millions of new *job seekers*
- The 'day job' of the Bank of Canada is to *match* demand for production and labour with supply
- Firms will *never* see demand for their production that leaves them short 'a million' workers
- There is *no basis* for any such calculation

2. There *will be* shortages of labour

- When demand and supply *are* in balance in aggregate...
- ... this does *not* mean balance in every *region*, every *industry* and every *occupation*
- The labour market always has *'mismatch'*: coexisting excess demand and excess supply
- Shortages *can be* reduced
 - By high *unemployment*, a *worse* outcome
 - By better *matching*, a *good* outcome

3. The labour force *won't grow much*

- **Baby boomers are already *retiring...***
- **... and the number of retirees *will just grow***
- **Despite rising participation of older workers, labour force growth will *slow...***
- **...but will *continue to grow***
- **Labour force growth of *under 1 per cent* is now the norm**
- **Higher immigration would raise labour growth, but remember: it will do little for *GDP per capita***

Figure 1 Labour Force Participation Rate

Both Sexes (per cent)

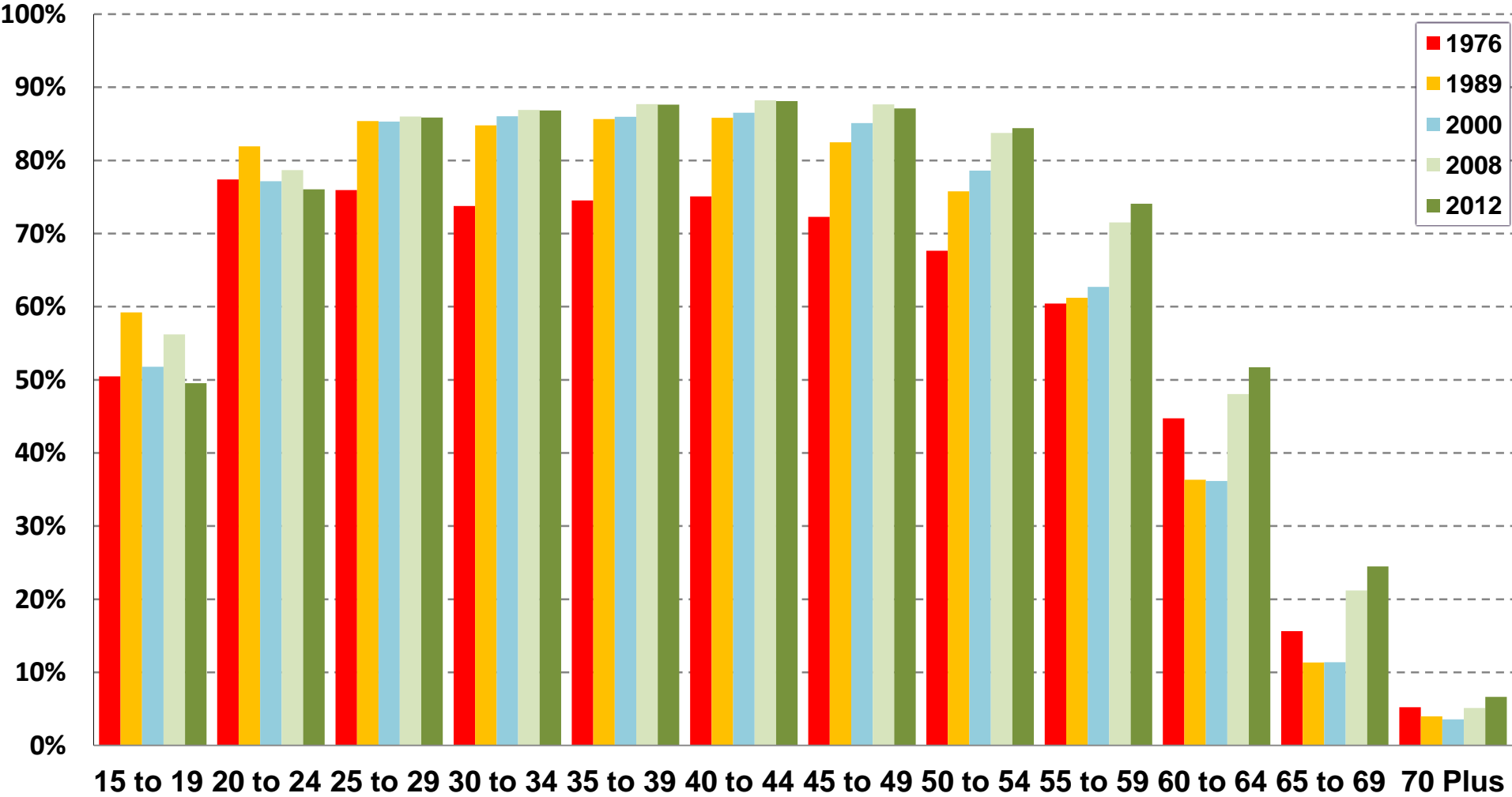
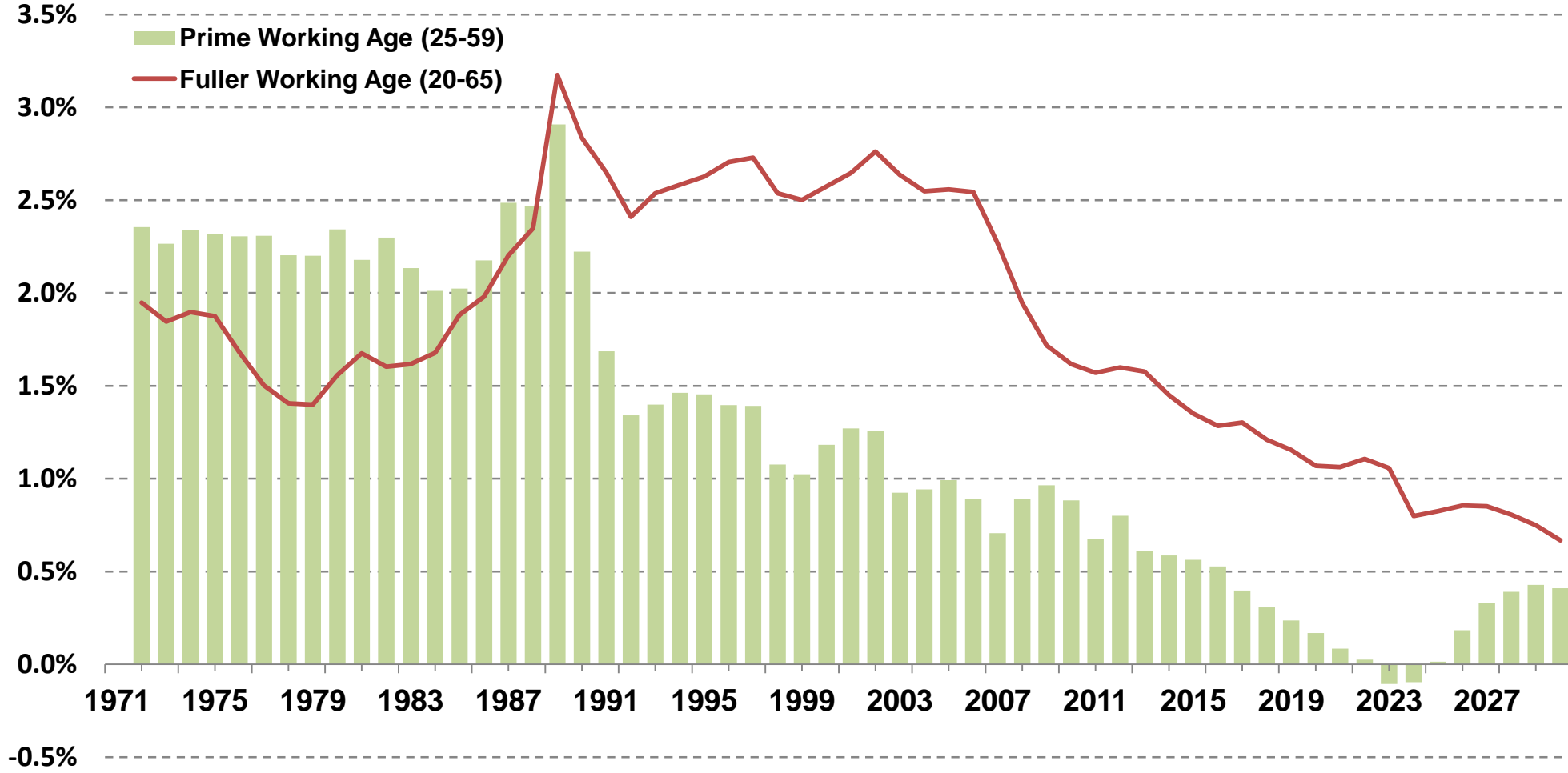


Figure 2 Growth in Usual Working Age Populations

Both Sexes (per cent)

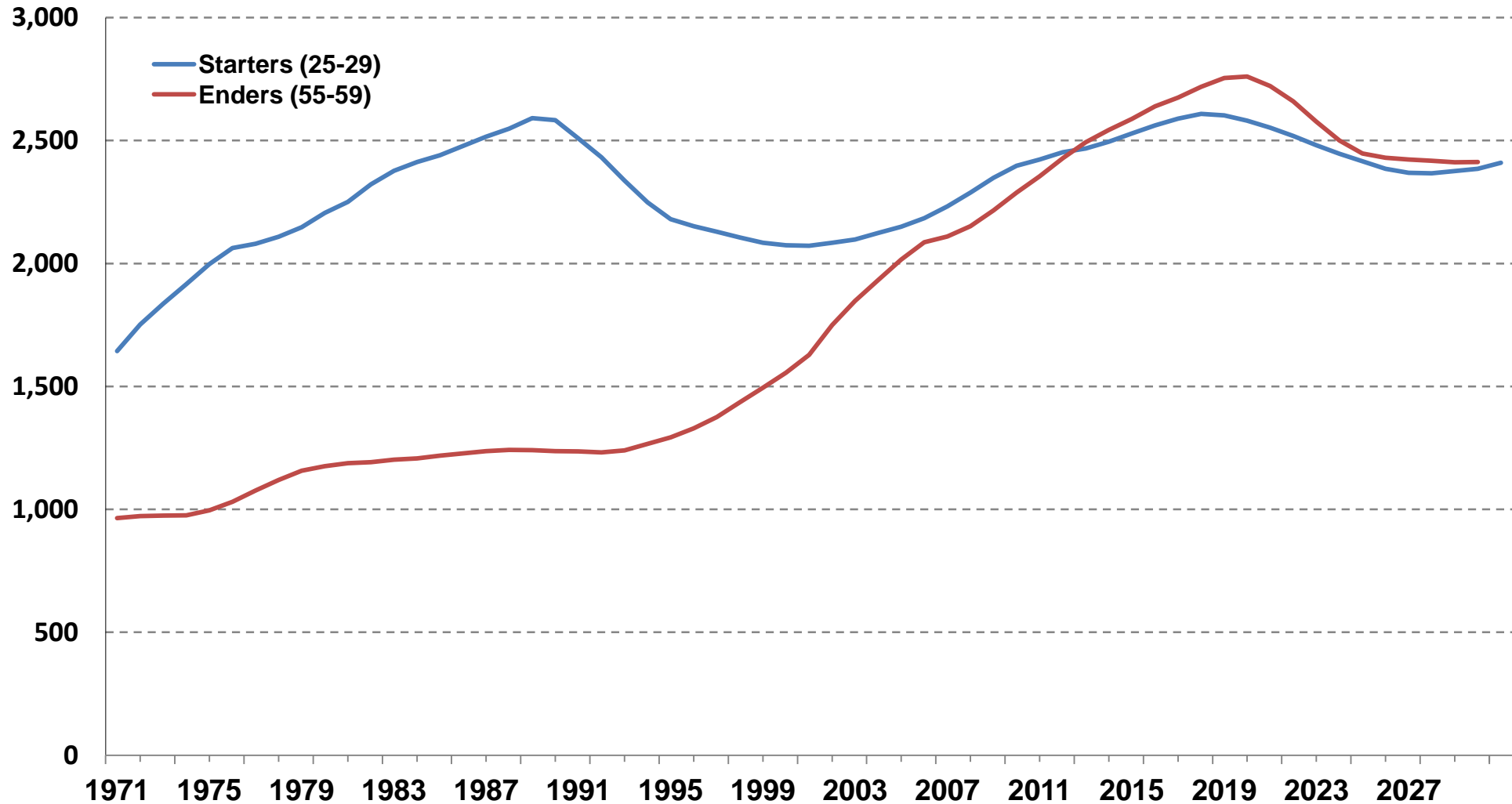


4. There are *plenty* of new entrants

- **Claims that immigration is the only source of future labour force growth are very *misleading***
- **The primary source is still *young* Canadians *entering* the job market**
- **The net domestic growth will slow with as many *older* Canadians *leaving* the labour market**

Figure 3 Population of Potential Labour Force Starters and Enders

Both Sexes (thousands)

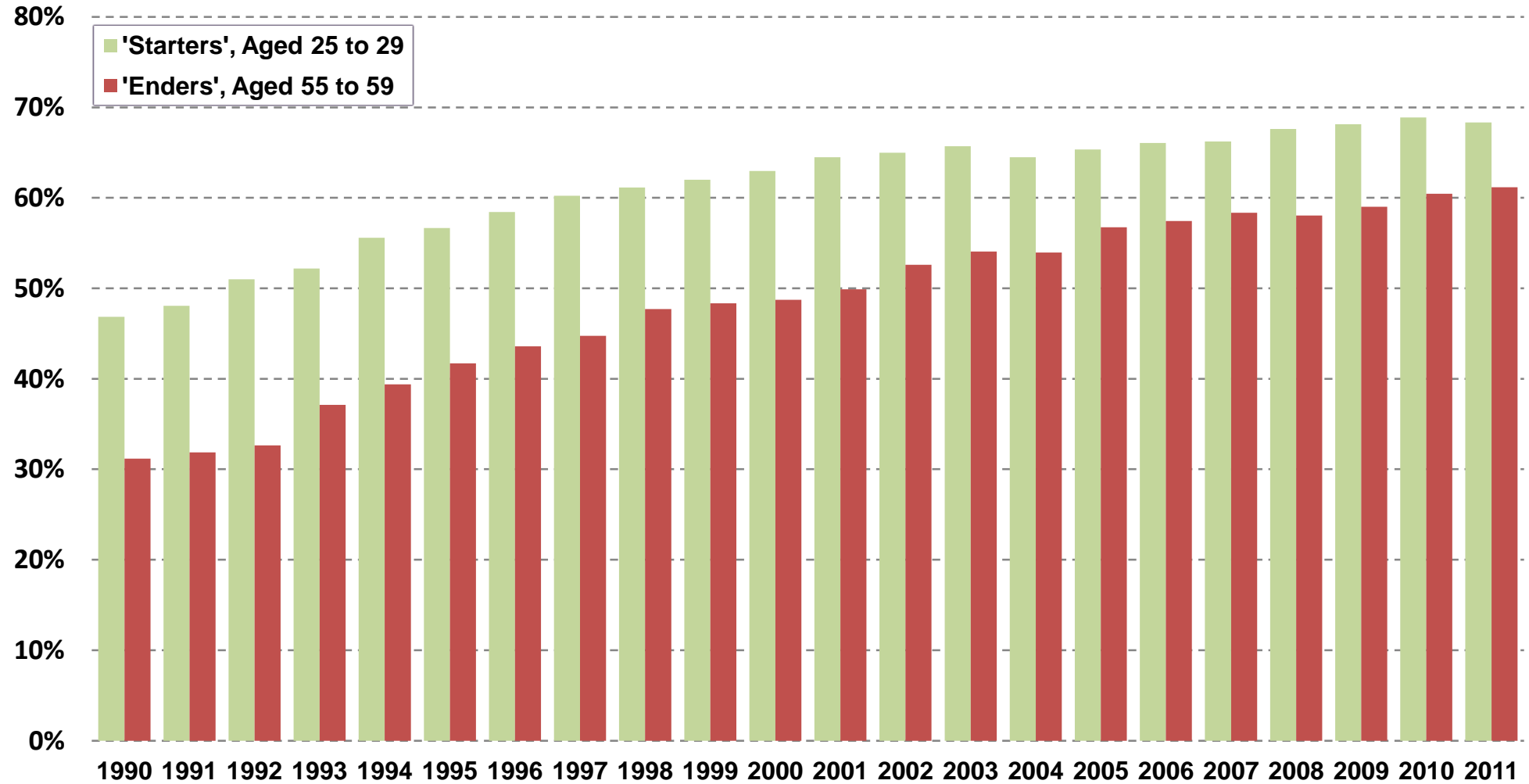


5. Youth are getting *enough* education

- It is often said that 2/3 of new jobs will *require* PSE...
- ...but, over 2/3 of new labour market entrants will *have* PSE
- The labour market could become even *more* skills intensive...
- ...but maybe *not!*
- So Canada continues to have the balance about right in *how much* young Canadians study

Figure 4 Share of Labour Force with Completed PSE

Both Sexes (per cent)



6. But perhaps not the *right* education

- Canada may not have *what* young Canadians study so right
- A high share of youth with PSE end up in jobs *not normally requiring PSE*
- Many claim the trades have been *downplayed* in favour of university
- Employers see a lack of key *'soft skills'*
- Our 'first chance' system may need to be better tuned to job market *needs*

7. We should *not* invest more in training

- The evidence from rigorous evaluations suggests training has a *low return*
- The mystery remains: why so *low* when the returns to PSE are so *high*?
- Are we just doing it *wrong*?
- Need to know ‘what works in training for whom?’

8. We need to invest *more* in training

- No amount of good K-12, LMI or flexible PSE will always get the *matching right*
- The labour market still needs a well-functioning *'second chance'* system, for young workers and immigrants
- Much of our training problem may be *what* we train, *how much* we train (a *'dose-response'* problem), or *who* we train
- We do need to *rigorously evaluate* and *regularly rebalance* our portfolio of interventions

Closing Messages

- Labour force growth will slow and there will be specific shortages; *get used to it*
- This may put *upward pressure* on labour costs
- We should *not* use TFWs and increased immigration to keep a lid on real wages
- Higher real wages may finally stimulate *faster* productivity growth
- Firms (and governments) may struggle with this, but this is *how productivity grows*