

### The Challenge

The Greater Toronto Area (GTA) is the economic engine of Canada. Despite its dynamism, this region's labour market does not serve all its constituents well:

- employers lack skilled workers;
- many post-secondary graduates have difficulty establishing careers;
- highly educated newcomers are commonly found in dead-end survivor jobs;
- most job growth occurs at the two ends of the spectrum, in knowledge-sector jobs and entry-level work, creating a polarization that underpins a growing stratification of income in our society; and
- there is no systematic connection between the two sides of the labour market: supply and demand.

Furthermore, our labour market is facing a number of trends and challenges, necessitating a re-alignment of our employment services and workforce development systems:

- the continuing shift from manufacturing to service sector and knowledge work jobs;
- employer expectations of both educational attainment and effective soft skills from employees;
- the erosion of job security and predictable career advancement, replaced by precarious employment and just-in-time hiring;
- the demographic reality of retiring baby-boomers – net labour force growth will depend primarily on immigrants; and
- our economy trails its major competitors in productivity growth and workplace training.

### Current Situation

The traditional model of the Canadian workplace has changed dramatically over the past several decades. New conditions have had the greatest impact on new entrants to the labour force, including youth and newcomers.<sup>1</sup> Consequently, employers, workers and governments must prepare a set of tools to assess and respond to the new circumstances impacting both current and future participants in the region's workforce.

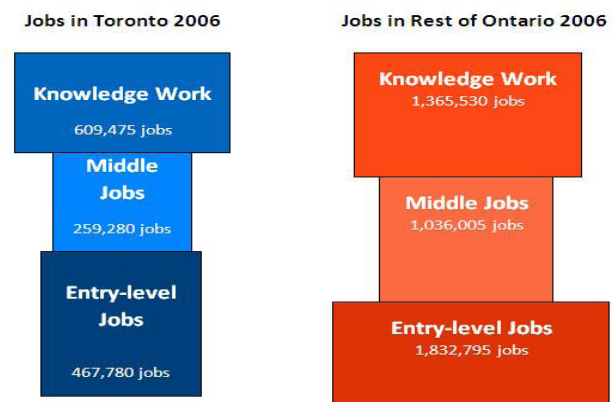
#### Changing Nature of Work

The nation's traditional base of manufacturing industries has given way to service-based sectors. In many instances full-time and well-paid jobs with employee benefits have been replaced by temporary and contract positions with no benefits.<sup>2</sup> These new types of jobs are referred to as precarious work. As a result, many individuals are forced to make their own arrangements for pensions and other benefits. The labour market structure has experienced a greater polarization of occupations and incomes, with growth among higher-end knowledge jobs and lower-end entry-level positions, compounded by a shrinking middle, forming the shape of an hourglass (see Figure 1).<sup>3</sup> This structure is further complicated by a wage trend that offers increases to high-income earners, but does not reward lower income groups who face stagnant or declining relative wages.<sup>4</sup>

#### Skills and Training

Among OECD nations, Canada is ranked 14th on its level of employer investment in workplace training.<sup>5</sup> Employers are increasingly demanding high levels of educational attainment, in some cases irrespective of the real educational requirements of the position. It is estimated that 65% of new jobs over the next five years will require some form of post secondary education, leaving those without high school diplomas less able to access employment.<sup>6</sup> In addition, Canada faces inadequate

**Figure 1: Percentage distribution of jobs by skill/sector categories, Toronto and the rest of Ontario, 2006**



size of boxes to scale, for comparison sake

Source: Zizys, Tom. "An Economy Out of Shape: Changing the Hourglass." Toronto Workforce Innovation Group. 1 Apr. 2010.

levels of literacy among its residents: four in 10 youth, almost half of adults, and six in 10 immigrants have English or French literacy skills below the desired level.<sup>7</sup> Many individuals are also entering the workforce with inadequate “soft skills” including communication and problem-solving needed on the job.<sup>8</sup> As a result, employees are unable to meet employer needs, compromising income, productivity, career advancement and overall economic well-being. Further, many employers are unaware of programs that can provide valuable training in essential skills and literacy.<sup>9</sup> Most training efforts are focused on young highly skilled workers employed in larger firms.<sup>10</sup>

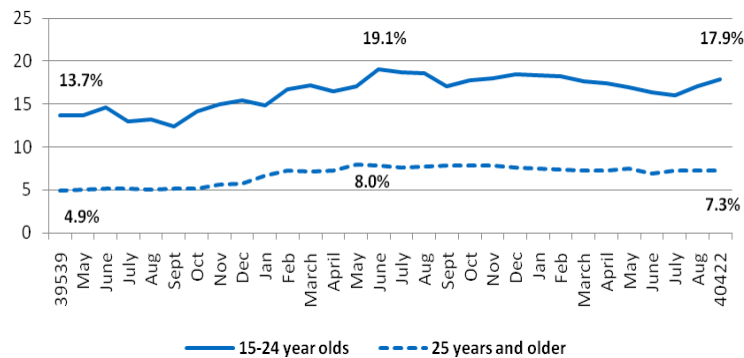
### Labour force growth

Despite delayed retirement and second careers, the large baby boom generation is now entering retirement. It is expected that a third of the labour force will retire over the next two decades –one of the most significant workplace shifts in the last 50 years.<sup>11</sup> Labour market growth will continue, but at a significantly reduced rate. Employers will need to use their current human resources more effectively, and attract new workers from less traditional sources.<sup>12</sup>

### Labour productivity growth

The Canadian economy has performed well on most economic indicators, except for productivity growth, the greatest contributor to domestic living standards.<sup>13</sup> Productivity analysts, however, are unable to account for the nation’s low productivity.<sup>14</sup> Canada’s recent performance in efficiently applying factors of production has fallen short of competitors, widening the labour productivity gap between Canada and those abroad.<sup>15</sup> From 1976-2006, Canada’s output per hour increased at an annual rate of 1.2%, among the lowest of OECD nations.<sup>16</sup> Canada is also experiencing an “innovation deficit”, stifling the country’s productivity growth. Improvements will require efforts on several fronts: management quality, workplace training, energy efficiency, capital investment, effective technology transfer, supportive tax and regulatory regimes, and an explicit commitment to productivity.

**Figure 2: Seasonally adjusted unemployment rate, 15-24 year olds and 25 years and older, April 2008 to September 2010, Ontario**



Source: Organisation for Economic Co-operation and Development. (2010). *Education at a Glance 2010: OECD Indicators*.

### Youth

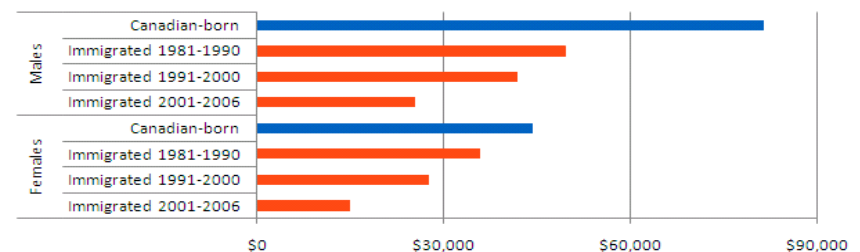
Almost one in five youth in Ontario was unemployed during the recession. Among those experiencing unemployment, approximately two-thirds have no more than a high school diploma.<sup>17</sup> A large number of Canadian youth are enrolling in higher education; 56% of 25 to 34 year olds have a college or university diploma or degree, second only to South Korea among industrialized countries. For many, however, labour market success remains elusive: 37% of Canadians aged 25-29 with college or university degrees are underemployed in jobs with low credential requirements. Canada has the third-highest rate of youth underemployment and the highest proportion of college and university graduates below the national median income, when compared to other OECD countries.<sup>18 19</sup>

Currently, there are not enough youth entering the trades to replace those who will soon retire, largely because parents are unaware of the opportunities available.<sup>20</sup> There is evidence to suggest that apprenticeship programs have significant advantages for employees and employers, demonstrated by a current demand for trade workers and a \$1.38 return to employers for every dollar spent hiring an apprentice.<sup>21</sup>

### Immigrants

The Toronto Census Metropolitan Area has a highly educated workforce: 61% of adult, Canadian-born residents in the labour force have a post-secondary degree. Among recent immigrants, the proportion is 72%.<sup>22</sup> Over the last three decades, immigrants with university degrees have had increasingly poor labour market outcomes, best expressed in terms of their earnings.<sup>23</sup> The most commonly referenced challenge to successful immigrant settlement is foreign credential recognition.<sup>24</sup> At

**Figure 3: Average 2005 annual earnings for Canadian-born immigrants with a university degree, by period of immigration & gender, Toronto CMA**



Source: Toronto Immigrant Employment Data Initiative ( 2010). “What are the Labour Market Outcomes for University-educated Immigrants?” Analytical Report 8.

present, recognition of foreign qualifications is widely seen as unaligned, slow, overly bureaucratic, unfair and in need of improvement.<sup>25</sup> Other significant barriers include employer perception of foreign workers and access to local networks. As highlighted in Figure 3, Canadian women are also receiving lower earnings than their male counterparts. While the gender pay gap has decreased over time, it remains unequal, irrespective of occupation or educational attainment.

## Promising New Developments

The 2008 signing of the **Canada-Ontario Labour Market Agreement** has helped pave the way for consolidating a fragmented employment services system. For the time being, however, three major service regimes operate separately to address provincial employment issues:

- Employment Ontario, for all unemployed;
- Employment services under Ontario Works, for individuals on social assistance; and
- Services for newcomers through federal and provincial programs.

The provincial government has also created **Ontario's Second Career program**, providing financial support to laid-off workers wanting to transition into a new career. The program covers the costs of training, education and living expenses for up to two years. The three-year program, launched in 2008, was extended by another two years in 2010, with a target goal of 50,000 participants.

The Toronto region has many organizations facilitating coordination and collaboration on regional issues including immigration, labour force dynamics, worker rights and business development. Launched following the 2003 Greater Toronto Summit, the **Toronto Region Immigrant Employment Council (TRIEC)** uses collaborative practices to develop programmatic and policy solutions to address the issues facing skilled immigrants in accessing employment locally. The **Toronto Workforce Innovation Group (TWIG)** also uses a collaborative approach to identify workforce related issues and research potential solutions that can resolve labour market challenges in the Toronto region.

Other notable institutions include the **Workers Action Centre**, which educates and supports workers experiencing workplace challenges, advocates for law reform, and organizes collective action. The **Diversity Business Network** is an access point for companies, associations, organization and governments to influence the demand-side of the workforce, and develop strategies to enhance the capabilities of diversity-owned businesses in local and international marketplaces. The **Toronto Financial Services Alliance (TFSA)** is a public-private collaboration representing the financial services industry, its trade associations and all levels of government and academic institutions, to promote the competitiveness of Toronto's financial services centre through enhanced communication, networks and research.

### Promising Practices – Other Jurisdictions

**Initiatives to promote training** include Quebec's 1% "train or pay" tax, a law which requires that firms invest 1% of their payroll annually towards training their workforce or pay the equivalent into a provincial fund that supports workforce training.<sup>26</sup> The Customized Training Program of the North Carolina Community College System (encompassing 58 colleges across the state) offers free, customized job training for new and expanding businesses.<sup>27</sup>

In the United States, many municipal jurisdictions have **Workforce Investment Boards (WIB)**, which convene stakeholders and facilitate partnerships between employers, governments, labour, educators/trainers and the community sector to create and implement strategic plans for workforce services. WIBs were developed as part of the 1998 Workforce Investment Act, which defines the policy framework, membership, and responsibilities of the Boards.<sup>28</sup> WIBs are demand-led, employer-focused systems that link human capital development with economic development strategies to integrate and plan all labour force initiatives.<sup>29</sup> Examples include:

- **Chicago Workforce Board (CWB):** In operation since 2000, the CWB convenes key stakeholders from business, labour, education, government, community-based organizations and other sectors to "develop strategies that address the supply and demand challenges facing Chicago's workforce".<sup>30</sup> It has strong municipal leadership and high levels of private sector representation. One of its successes includes a service delivery network called Chicago WorkNet, which enables service agencies to collaborate and share expertise on particular communities and client groups. The Board has also utilized extensive stakeholder consultation to develop a series of five-year plans focused on creating integrated systems, instead of simply coordinating existing services.<sup>31</sup>
- **Philadelphia Workforce Investment Board (PWIB):** The PWIB creates policies to develop and sustain an integrated, market-driven workforce investment system for Philadelphia. The PWIB leverages public and private resources for workforce investment and coordinates local initiatives to support the growth of businesses and residents in the local economy. The PWIB places a primary focus on developing human capital as the way to meet business needs and strengthen Philadelphia's workforce system overall. It identifies cross-cutting challenges such as literacy to advance the skills of workers.<sup>32</sup>

## Chief Barriers to Progress

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There are various factors that limit the advancement of the region's labour market and labour force. One key challenge is the current approach to **employment services**. A majority of these programs place near exclusive emphasis on the challenges faced by the unemployed – a supply-side focus. As a result, limited emphasis is given to employer needs and perspectives – a demand-side focus. According to consultation with youth representatives, employment services often fail to recognize the interests and desires of youth entering a new world of work and offer skills training that does not improve employability.

Another barrier is the **highly fractured system of institutions** in the region. Currently, employment services, income supports, education and training, economic development and industry sectors are represented by different institutions, creating non-collaborative silos. As a result, the Toronto region lacks an integrated approach to workforce development, perpetuating a mismatch between the demand and supply sides of the economy, and hindering the region's growth, equality and economic prosperity.<sup>33</sup>

## Opportunities for Action

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### 1. Matching People, Skills and Jobs

There is an opportunity to create an initiative to match people, skills and jobs as a means of addressing the “mismatch” between current labour force skills and new job requirements by connecting the demand- and supply-sides of the market. This initiative could be a collaborative organization or network engaging relevant public, private, labour and civic stakeholders in developing strategies, programs and policies to better prepare, connect and retrain people for the workplace. Other elements could include sector-specific representatives working to harmonize policies across sectors and address concerning patterns taking place in the labour market. There is also an opportunity to support Small and Medium Sized Business (SMEs), since their internal human resources capacities are often less than those of larger organizations. The initiative could also work with employers to improve their existing workplace practices related to career path development, diverse talent recruitment, and training. Recognizing that previous provincial attempts at similar planning bodies have had limited success, the challenge would be to identify a strategy that speaks to local circumstances within a global context, aligning both the people and policy dimensions of economic development. If successful, this type of approach could lead to greater productivity in the region and make better use of the skills and talents already held by individuals in the labour market.

### 2. Buffering the Risks of Self-Employment

There is also an opportunity for members of the private and not-for-profit sectors to develop innovative responses to the changing nature of work, addressing the rise of precarious work arrangements and complementing existing government-provided income security measures.

For individuals engaged in temporary or perpetual contract work, the development of products and services to buffer the risks of self employment could bring distinct benefits, in particular helping to provide individuals and their families with a level of income, health and other security supports at an accessible price point. Examples could include:

- pooled health insurance programs offered at low membership rates to protect at-risk workers from destitution in times of ill health; or
- the development of low-cost personal pension products.

### 3. A Central Resource for Youth

Youth, as a key constituent of the future labour force, require support to smooth their transition to employment and long term career development. Building on the efforts of programs, resources and institutions already working to address their challenges, an opportunity exists to create a central resource that would help youth access and comprehend the changing world of work they are entering. This central body would be designed to:

- improve collaboration and planning among various youth-led and youth-serving organizations;
- enhance policy development; and
- offer programs to address the various issues related to the labour force experienced by youth.

A central group or network could also spearhead alternative human capital development strategies designed for changing demographics, ensuring that youth have access to post-secondary education, and promoting both traditional and entrepreneurial work opportunities.



## Questions for Discussion

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- 1. Planning for the Future:** How could an initiative designed to match people, skills and jobs benefit the Toronto region? What would this initiative look like? Who should be involved? How could it be started?
  - 2. Security for the Insecure:** What programs and/or policies are necessary to protect the rising number of people engaged in precarious and/or perpetual contract work?
  - 3. Fostering Success:** Is there a capacity to build a broader network-based approach to youth employment, leveraging what already exists?
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- <sup>2</sup> Drummond, D., & Fong F. (8 March 2010). *Special Report: The Changing Canadian Workplace*. Accessed October 2010 from TD Economics : [http://www.td.com/economics/special/ff0310\\_canlab.pdf](http://www.td.com/economics/special/ff0310_canlab.pdf)
- <sup>3</sup> Zizys, T. (2010). *An Economy Out of Shape: Changing the Hourglass*. Toronto: Toronto Workforce Innovation Group.
- <sup>4</sup> Drummond, D., & Fong F.. (8 March 2010).
- <sup>5</sup> Chart on participation rate for job-related non-formal education: Organisation for Economic Co-operation and Development. (2010). *Education at a Glance 2010: OECD Indicators*. Paris: OECD.
- <sup>6</sup> *Ibid.*
- <sup>7</sup> *Ibid.*
- <sup>8</sup> Lior, K. (2010). *Productivity and the Economy: Productivity and Prosperity Depends on Matching People to Jobs and Jobs to People*. Accessed December 2010:<http://www.votetoronto2010.com/toronto-debates/debate-1-prosperity-and-the-economy/debate-1-discussion-paper-matching-people-to-jobs-and-jobs-to-people/>
- <sup>9</sup> Toronto Workforce Innovation Group. (2010).
- <sup>10</sup> Goldenberg, M. (2006). *Employer Investment in Workplace Learning in Canada*. Ottawa: Canadian Policy Research Networks.
- <sup>11</sup> Drummond, D., & Fong F.. (8 March 2010).
- <sup>12</sup> *Ibid.*
- <sup>13</sup> Sharpe, A. (2007). "Productivity: Three policies to increase productivity growth in Canada." In *A Canadian Priorities Agenda: Policy Choices to Improve Social and Economic Wellbeing*. Edited by Jeremy Leonard, Christopher Ragan, and France St-Hilaire. Montreal: Institute for Research on Public Policy. Pgs 353-382.
- <sup>14</sup> *Ibid.*
- <sup>15</sup> Chart on labour productivity annual growth rate: Keenan, Greg and Brian Milner. (29 June 2010). "Productivity that starts on the shop floor." *The Globe and Mail*: <http://www.theglobeandmail.com/report-on-business/economy/growth/productivity-that-starts-on-the-shop-floor/article1622017/page3/>
- <sup>16</sup> Sharpe, Andrew. (2007).
- <sup>17</sup> Statistics Canada. (2006). *Ethnic Origin and Visible Minorities, 2006 Census*. Ottawa: Statistics Canada. Catalogue no. 97-562-XCB2006017.
- <sup>18</sup> Organisation for Economic Co-operation and Development (2010). *Education at a Glance 2010: OECD Indicators*. Paris: OECD.
- <sup>19</sup> Statistics Canada. (2009). "College and university graduates with low earnings in Canada – Demographic and labour market characteristics." Catalogue No. 81-004-X. *Education Matters: Insights on Education, Learning and Training in Canada*, Vol. 6, No. 2.
- <sup>20</sup> Toronto Workforce Innovation Group. (2010).
- <sup>21</sup> Toronto Training Board. (2008). Accessed January 2011 from the Toronto Workforce Innovation Group: <http://www.workforceinnovation.ca/solutions/apprenticeship-good-business-sense>
- <sup>22</sup> Statistics Canada. (2006).
- <sup>23</sup> Toronto Immigrant Employment Data Initiative. (2010). *What are the Labour Market Outcomes for University-educated Immigrants? Analytical Report 8*. Toronto: Toronto Immigrant Employment Data Initiative.
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- <sup>25</sup> *Ibid.*
- <sup>26</sup> Saunders, R. (2008). *Employer Investment in Workplace Learning: Report on the Toronto Roundtable*. Work and Learning Knowledge Centre and Canadian Policy Research Networks; p. 6.
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- <sup>29</sup> *Ibid.*
- <sup>30</sup> *Ibid.*
- <sup>31</sup> *Ibid.*
- <sup>32</sup> *Ibid.*
- <sup>33</sup> Toronto Community Foundation. (2010). *Toronto's Vital Signs*. Accessed December 2010 from the Toronto Community Foundation: <http://www.tcf.ca/vitalinitiatives/TVS10FullReport.pdf>

This paper was prepared by Joanna Flatt, Pascal Gauthier and Tom Zizys and informed by discussions of CivicAction's Labour Market and Labour Force Readiness Working Group'