

MINER AND MINER

People Without Jobs, Jobs Without People:
Ontario's Labour Market Future

Presentation to the Canadian Club

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2/3/2010

CHECK AGAINST DELIVERY

At a time of high unemployment and record deficits, my message today will not be comforting. It will be like going to your doctor and having her tell you she has some good news and bad news. What is the bad news you ask? The tests have come back and you have a disease that is going to kill you. What could possible be the good news. You are a little healthier than most so you won't die as quickly.

For those that may need to leave a little early let me give you the conclusion now.

We have two mega trends emerging, an aging population AND the movement from a labour to a knowledge or innovation economy. Unless we take decisive action our economic future and social fabric will be in jeopardy. The new norm will be People without Jobs and Jobs without People. Let's understand why this will happen and see what we might be able to do to avoid it.

This Figure allows us to see the impact of the Baby Boomers by looking at the change in the percentage of Canadians in their prime working years. (Figure 1).

Remember the first Boomers arrived in 1946/47

They began entering the work force in the early to mid 60s. We can see the work force starts to grow at that point.

In the 50s and 60s their growth in numbers was responsible for the significant expansion of our educational systems (schools, colleges, universities). There we just so many of them.

We have not hear much from them lately but you can see that around 2011, when the first boomer reaches 65, they will start exiting the work force and the percentage of our population in the prime working years will decline through 2050.

As a result of Ontario's aging population our Labour Force Participation rate will fall from about 68% to 61% by 2031.

This occurs because labour force participation rates vary by age (Figure 2). So, as our population ages our average participation rate falls.

So let's look ahead and see what the impact that will be.

Figure 3 is based on Ontario Ministry of Finance Labour Force and Population projections.

Include are both high, medium and low growth population predictions. The major differences between them centre around immigration and fertility rate assumptions. Yet,

keep in mind for our purposes, the vast majority of the Ontario work force for 2031 has already been born.

The blue line represents the population 15 years and older using the medium population growth prediction.

The green line represents projected Labour Force demand

And the reddish lines represent the Labour Force availability under the high, medium and low population projections. Clearly under all three population models demand exceeds supply.

The next figure (4) shows the supply-demand imbalance by year for each population model. Even with a medium growth model, we will be short a million workers by 2031. This is not rocket science. This is the predictable consequence of an aging population.

So, we know that we are going to need more workers, but we now need to understand what type of workers will be needed.

This is the second mega trend and deals with the change in our economy. This means the type of jobs will change as we move into a knowledge or some refer to it as an innovation economy. There will be new and unheard of careers. In fact, over a 30 year period, the US found that a quarter of all jobs were brand new and had never previously existed. Keep in mind the internet, Google, Facebook, Craig's list did not exist 20 years ago.

It has also been discovered that "Old" jobs become "New" jobs about every 15 years, again requiring higher levels of education and training.

We have never been particularly good at predicting the jobs of the future, and I am not going to venture into that territory, but I did recently run across some predictions made by Futurist Adam Gordon. He listed 23 future jobs and I thought I would share some of them with you (SLIDE).

When I first came across the list last fall they seemed a little far fetched and then I started reading articles about labs growing body parts, China and Russia doing weather modification experiments, Virgin airlines planning for public space trips in the next decade, and of course I will keep a particularly close watch on the development of the memory augmentation surgeons.

The point here is that while we have not been very good at predicting the exact nature of the new jobs, we have been pretty good at understanding that these jobs, whatever they are, will require higher and higher levels of education and training.

My research takes a very inclusive view of what will be needed in terms of higher education. Specifically, I have assume the need for some form of education and training beyond high school which could range from apprenticeships to Ph. D.s, college diplomas to university degrees, and from industry certificates to institutional training. Any such achievements are seen as positive.

The next obvious question is how much will be needed. Here, there have had a variety of predictions. In 2007, HRSDC assumed 65% of our work force would need training beyond a high school diploma by 2011. In 2005, the Ontario Ministry of Education set the figure at 81%. The Canadian Council on Learning estimated 67% as the target, two British Columbia studies concluded the figure should be in the 75% to 76% range, and a recent U. S. study concluded that 78% was the right figure. While variations exist, they all predict the need for more and more education and training.

Based on these estimates I made some rather conservative assumptions about what would be needed in the future. To investigate the impact of higher educational needs, I took the lowest prediction to represent our present needs and the highest prediction to represent our future requirement some 20 or more years down the road.

Currently, we have about 60% of the population with education or training beyond high school and for the younger portion of the population our educational attainment is one of the highest in the world at 66% to 67% . So if we stay where we are, in 20 years about 66% of our work force will have a credential we need.

So now let's now bring these two mega trends together.

We now know the size of our labour shortage and the levels of education and training we will require. So what does our future look like???

Well if we assume a medium population growth it looks like this (Figure 5).

The red bar is the same supply-demand shortage you saw earlier based on the Provinces Labour Force Supply and Demand predictions.

The two new bars represent the impact of moving to a knowledge economy where higher levels of education and training will be required. The green represents those people who are unemployable because they do not have the educational level necessary to find employment. Remember, labour force participation rates already include people who are unemployed but looking for work. So these will be additional unemployed individuals.

The burgundy line represents those positions that will be unfilled because qualified workers do not exist in sufficient numbers. We will have 800,000 vacancies by 2016 and almost 2 million by 2031.

Here, we will have the worst of two worlds: significantly higher social costs due to increased unemployment and a sputtering economy because we do not have the number of skilled individuals required.

So what happens if a high population growth is achieved (Figure 6)? Well, the total supply demand imbalance shrinks (red line) but we will have even larger numbers of People without jobs (green). So simply growing the population is not the solution.

We obviously have a two pronged problem. We need to both increase our labour force through higher participation rates with a larger population AND we need to increase our levels of education and training.

Be fore warned, there are no silver bullets. This will be a complex and difficult problem requiring early and dedicated attention. The current recession might actually give us a little breathing room, a year or so, but not much longer. Without change we are destined to a World of People without Jobs and Jobs without People unless we act.

So let's briefly consider some of the policy options. The research report provides a more detailed discussion for those that are interested.

For increased immigration to help (Table 1) something has to change. The recent employment history of immigrants has not been encouraging given that their labour force participation has been significantly below other Canadians.

Aboriginal Labour Force Participation (Table 2) is an area where improvements can be made. Here we find lower participation rates in all age groups.

Peoples with disabilities represent another opportunity (Table 3) where participation rates could grow substantially.

Going back to participation rates by age (Figure 2) we see that the younger and older segments of our population have lower participation rates.

The lower youth rate are because they are in school and we want them there but can we accelerated their learning and training experiences without compromising content?

For example, taking summers off is based on an agrarian model that no longer exists but has been replaced by summer work to pay for the following year of study. Can we look at ways of utilizing summers more fully? Studying for two of four summers at university would take a year off the education process and get people into the work force much earlier.

Should we have better Post Secondary Cooperation?

Transfer credit recognition is increasingly a problem that delays program completion.

Colleges are becoming finishing schools for university graduates who need skills to get employed. Should the two sectors be working together to provide students with clearer and more expeditious pathways?

In the US and Canada there have recently been calls for the reinstatement of the 3 year BA degree.

Most importantly we need an attitude change. Last year in Ontario, only 69% of high school student graduated on time, that is within 4 years. This figure increased to 77% after 5 years. That is not good enough and results in both lower educational attainment levels and delayed work force entry. High School graduation alone will not be enough. Parents, students, employers and governments need to understand that their and our future is dependent on higher levels of educational achievement.

Older workers might be a significant part of the solution. We have to find ways to keep them in the work force longer without resorting to draconian measures. A number of options are listed in the report.

Finally, let's not forget about our hidden problem of literacy where recent reports say that 4 of 10 Canadians have too low a literacy level.

So what is the magnitude of the problem? It depends on the appropriate population projection and current data shows we are tracking almost directly along a medium growth population projection.

This means we will need to expand our trained work force by almost 1.8 million by 2031. From a public policy point of view our first target should be training and retraining people who do not have the educational credentials needed for the new jobs. This will help our economy by reducing the number of Jobs Without People and will strengthen our social fabric by having fewer People without Job.

So where do we stand? How do we stack up compared to others? This is the good news bad news story.

In terms of current and future labour force participation rates, we are and will be slightly about the national average. That's good.

Our dependence ratios, the percentage of our population that is less than 15 and over 64, will grow significantly from 44% to 60%. We will be below the 2031 Canadian average of 61%. But a 60% level will be unaffordable at current participation rates.
That's Bad

As for educational attainment, we slightly higher than the Canadian average. That's Good

When we look south of the boarder, we are significantly better educated and trained than the US, again good, but they have higher work force growth rates. That's bad Combining the two, their labour force imbalance looks very similar to our own (Figure 7).

The time for action is now. Without change this is our future (Figure 5) and it is not going to be a pleasant one. As stated previously, this recession might actually have given us the time we will need to respond. But keep in mind we will not be alone. All of North America and most of the developed world will be facing the same conditions/problems. The market for skilled labour, world wide, will be fierce. Employers need to understand that this will be a new world requiring new human resource strategies. Countries, provinces and states that understand what is coming and start proactively preparing for it will have a significant economic and social advantage.

In closing my question is simply: What is Ontario going to do?

Thanks you for your interest and hopefully you will speak to others about the necessity for change. Our children and grand children's futures are dependent on what we do today.