

JOBS REPORT:
THE STATE OF THE
CANADIAN LABOUR MARKET



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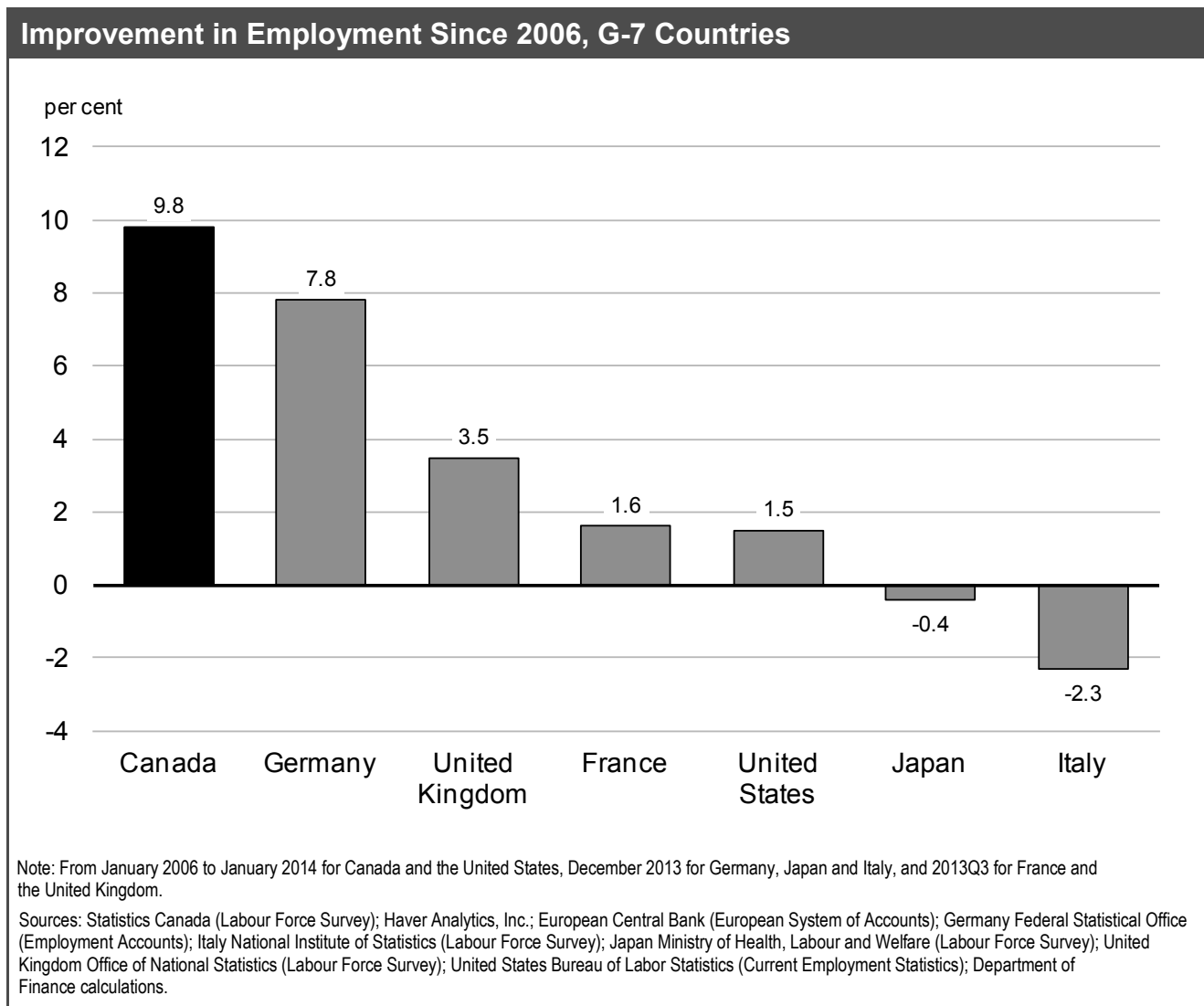
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Introduction

Canada's labour market has outperformed those of other Group of Seven (G-7) economies since 2006 with close to 1.6 million net new jobs created across the country (see chart below). The fundamental strength of the Canadian labour market has been particularly evident after the global recession. Despite the weak global economic environment, the Canadian economy has expanded at a faster pace than other G-7 economies and the labour market has been resilient, with over 1 million net new jobs created since the recovery began in July 2009. This represents the strongest labour market performance among all G-7 economies. Moreover, high-wage, high-skilled, full-time and private-sector employment has been the main source of job creation over the recovery.





However, challenges remain. Canada, along with other advanced economies, will be affected by large shifts in population composition, continued globalization and increased skill requirements resulting from technological advancements. Meeting these challenges will require a skilled, mobile and flexible labour force.

The purpose of this report is to provide an assessment of the current state of the Canadian labour market and its preparedness to meet these future challenges. The report examines recent developments in the labour market, the educational attainment and skill level of Canada's workforce, and potential imbalances between the demand for and supply of skills. The report concludes with a discussion of actions taken by the Government to establish an environment conducive to a dynamic labour market and the creation of high-quality jobs.

Canada has demonstrated a remarkable job creation record in recent years. Canada also fares well compared to other countries with regard to post-secondary educational attainment. Overall, Canada enjoys a fairly mobile population that responds well to economic opportunities and regional differences in labour market conditions. Meeting the challenges of tomorrow will require that Canada continue to build upon these strengths.

However, there are a number of areas that could be strengthened in light of the pressures facing the labour market. Despite significant labour mobility in Canada, Canadian firms are having more difficulty in hiring than the unemployment situation would normally warrant, with imbalances between unemployment and job vacancies persisting in certain regions and occupation groups.

- There is evidence of a misalignment between the skills of the unemployed and those required by employers, with higher job vacancy rates in the skilled trades and science-based occupations. Indeed, there is a need to continue improving the process of matching Canadians with available jobs.
- A number of groups are not reaching their full potential in the labour market, including less-skilled individuals, recent immigrants, Aboriginal peoples, persons with disabilities and older Canadians.
- Proportionally fewer Canadians graduate with university degrees in high-demand fields such as science, mathematics and engineering than in many other OECD countries, and Canada appears to lag its peers in developing business skills.
- The number of apprentices completing training and obtaining certification has doubled from 2000 to 2011, but apprenticeship completion rates have averaged only 50 per cent over this period.

The Government has taken a number of measures to strengthen Canada's labour market and establish an environment that fosters new investment, economic growth and job creation. Since 2006, it has substantially improved Canada's business tax competitiveness; expanded trade and opened up new markets; modernized Canada's infrastructure; supported research, innovation and the creation of large-scale venture capital funds; streamlined the review process for major economic projects; improved incentives to save and work; and strengthened Canada's retirement income system.



In addition, the Government put in place a number of initiatives to more directly support the development of a skilled, mobile and inclusive workforce within an efficient labour market. It has introduced measures to better connect Canadians with available jobs that match their skills and ensured the Employment Insurance program is fair and supports unemployed Canadians when needed. The Government also took important steps to align training with the needs of the private sector. In addition, it has promoted post-secondary education and skills development and implemented targeted support for apprentices and the employers that hire them. The Government has also provided significant support to improve the labour market participation of under-represented groups. Finally, it has implemented a number of initiatives to help attract foreign skilled workers. These actions are contributing to the fact that Canada's economy has outperformed other G-7 countries in job creation over the past seven years.

This report is structured as follows:

- **Chapter 1** reviews the recent performance of the Canadian labour market.
- **Chapter 2** assesses Canadians' education and skills levels and examines whether there are imbalances between the demand for and supply of skills.
- **Chapter 3** discusses key trends that will affect the Canadian labour market going forward.
- **Chapter 4** discusses the conditions necessary to establish a high-performing, dynamic labour market and the creation of high-quality jobs, and highlights what the Government has been doing to achieve this objective.



Chapter 1

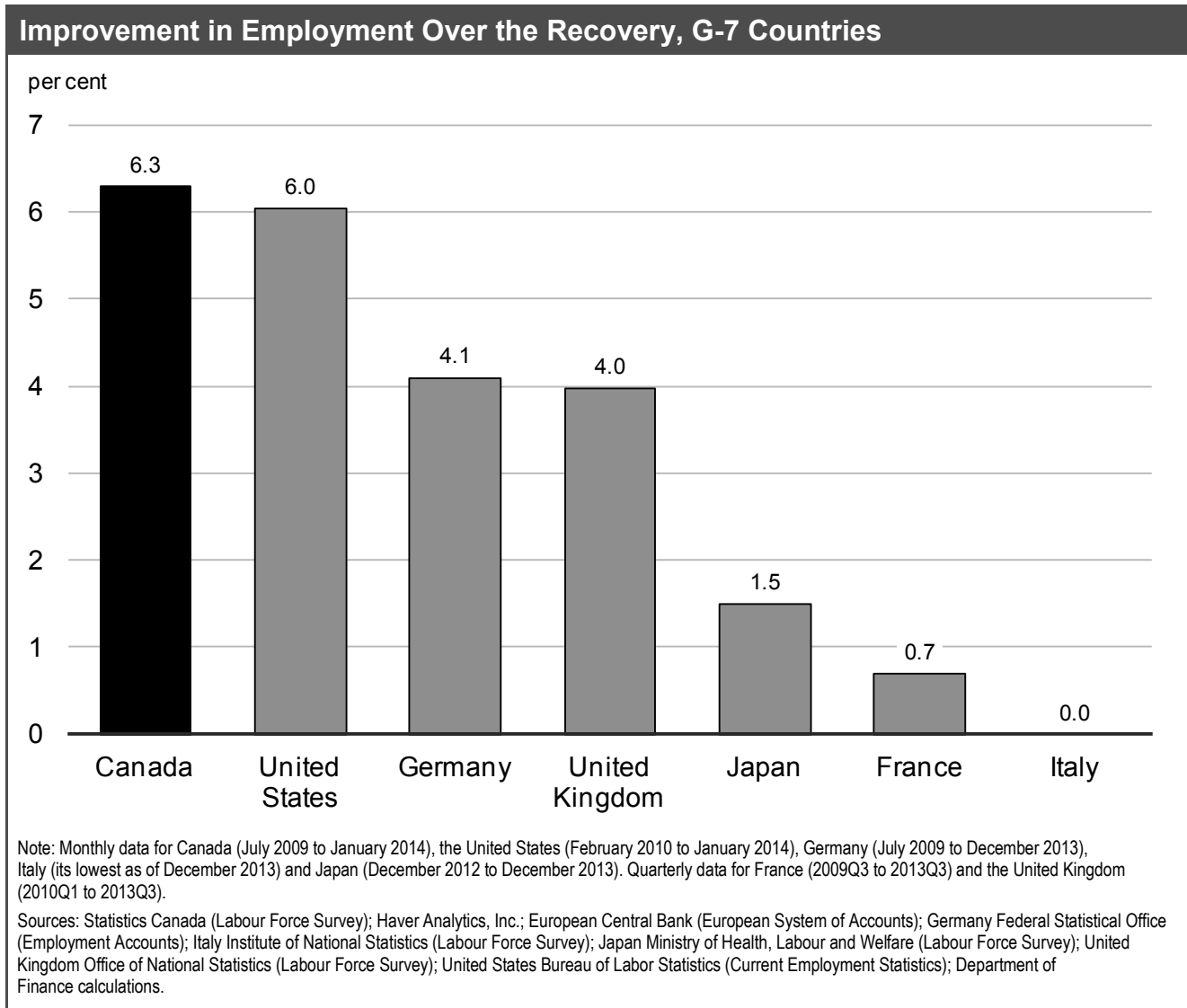
Recent Performance of Canada's Labour Market

Highlights

- ✓ The Canadian labour market has been resilient despite a challenging global economic environment, with Canada outperforming all other G-7 economies in job creation over the recovery. Over 1 million more Canadians are working today than in July 2009.
- ✓ High-wage, high-skilled, full-time and private-sector employment has been the main source of job creation over the recovery.
- ✓ The Canadian labour market has maintained a higher labour force participation rate (the share of the working-age population who are either working or actively seeking work) than the United States over the recovery, which indicates that there are relatively fewer discouraged job searchers in Canada, as more of those out of work are seeking work and finding it.
- ✓ The robust performance of the Canadian labour market is also reflected in the long-term unemployment rate (the share of the labour force who have been unemployed for a period of at least 27 weeks), which is lower than in all other G-7 countries. This suggests that the majority of the unemployed make the necessary adjustments to meet the needs of the labour market.
- ✓ Still, there is room for improvement in the Canadian labour market as many Canadians are still out of work or underutilized at a time when skills and labour shortages are re-emerging in certain sectors and regions.
- ✓ The unemployment rate continues to be high for some under-represented groups such as less-skilled individuals, recent immigrants, Aboriginal peoples and persons with disabilities. While the participation rate of older Canadians is increasing, it remains lower than in a number of OECD countries.



Canada's labour market has rebounded strongly from the recession

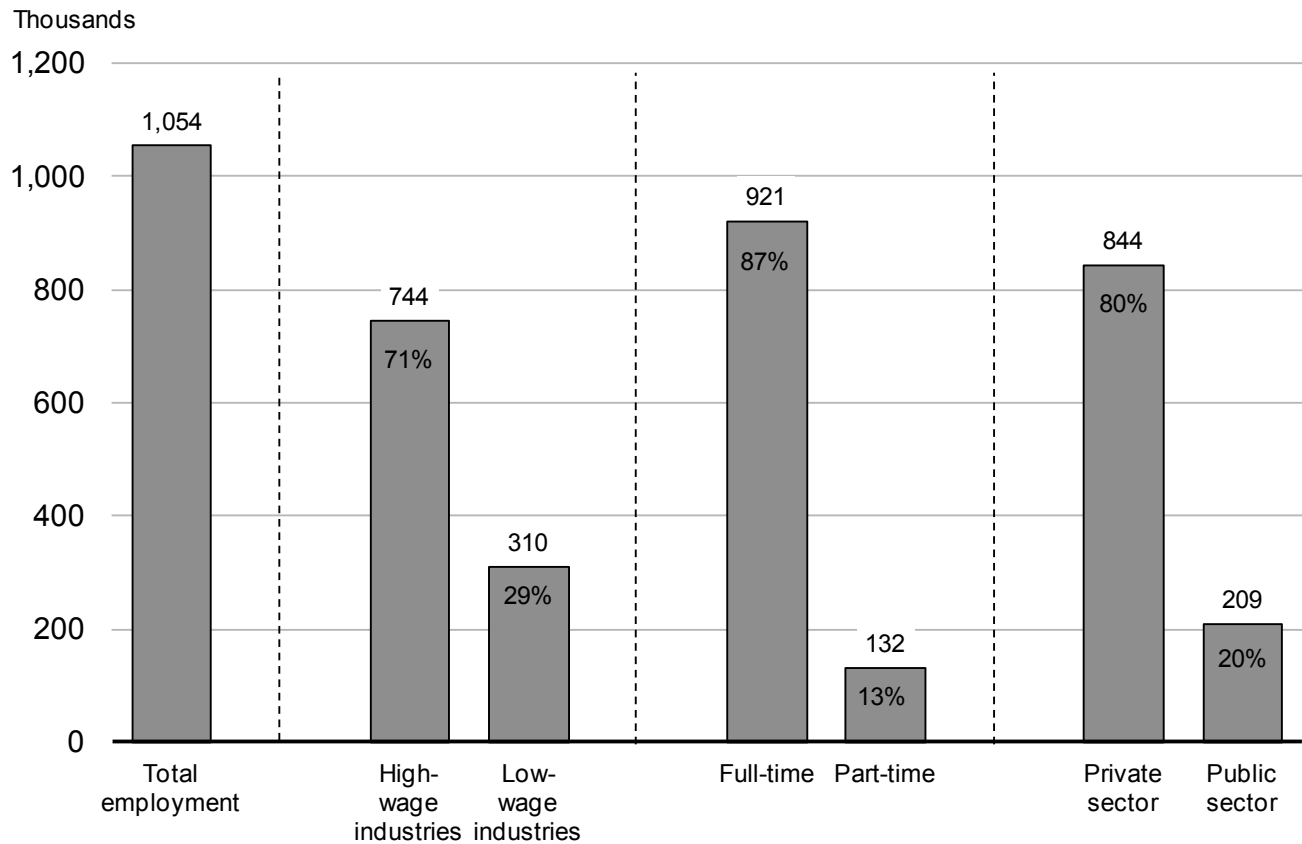


- Almost five years after the global recession, the global economic environment remains fragile. However, despite the challenging external environment, the Canadian economy and labour market have been resilient.
- Canada has experienced a solid job creation performance since the beginning of the recovery, with over 1 million more Canadians working today than in July 2009—an increase of 6.3 per cent. Canada has outperformed all other G-7 economies in job creation over this period.
- Canada's solid record on job creation over the recovery continues the strong performance that has resulted in close to 1.6 million net new jobs created since the beginning of 2006—a gain of 9.8 per cent. This represents the strongest labour market performance among all G-7 economies since 2006.



Job creation in Canada over the recovery has largely been in high-wage, full-time, private-sector employment

Improvement in Employment Over the Recovery, by Selected Indicators, Canada



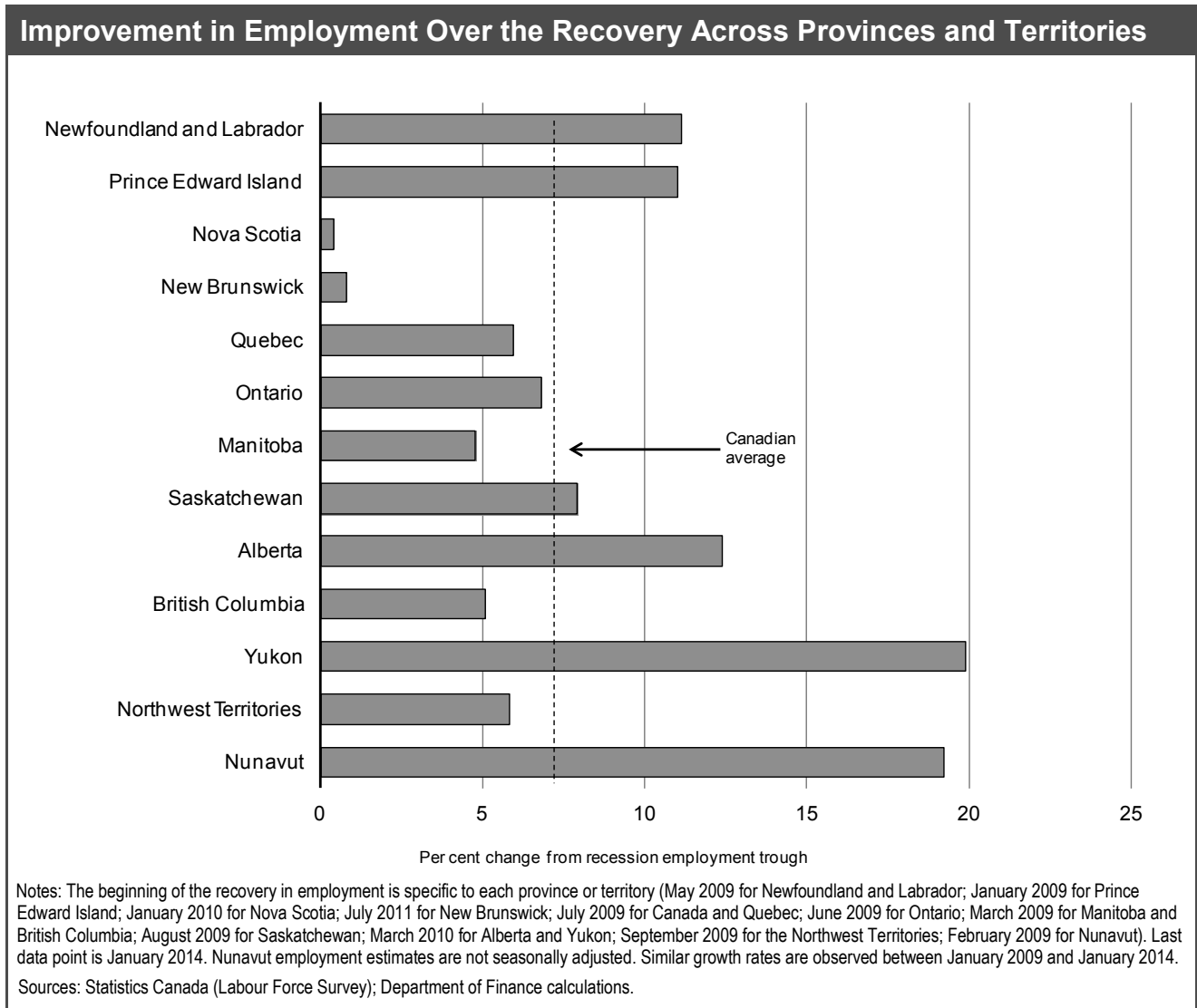
Notes: From July 2009 to January 2014. Calculations are based on Statistics Canada data for 105 industries. High-wage industries are defined as those with average hourly wages above the aggregate average in 2012 (\$23.65). Totals may not add due to rounding.

Sources: Statistics Canada (Labour Force Survey); Department of Finance calculations.

- Over 85 per cent of all jobs created over the recovery have been in full-time positions with more than two-thirds in high-wage industries.
- Encouragingly, the private sector has been the main source of job creation since the end of the recession, an essential condition for a sustained recovery and expansion.



Employment gains over the recovery have occurred in all provinces and territories

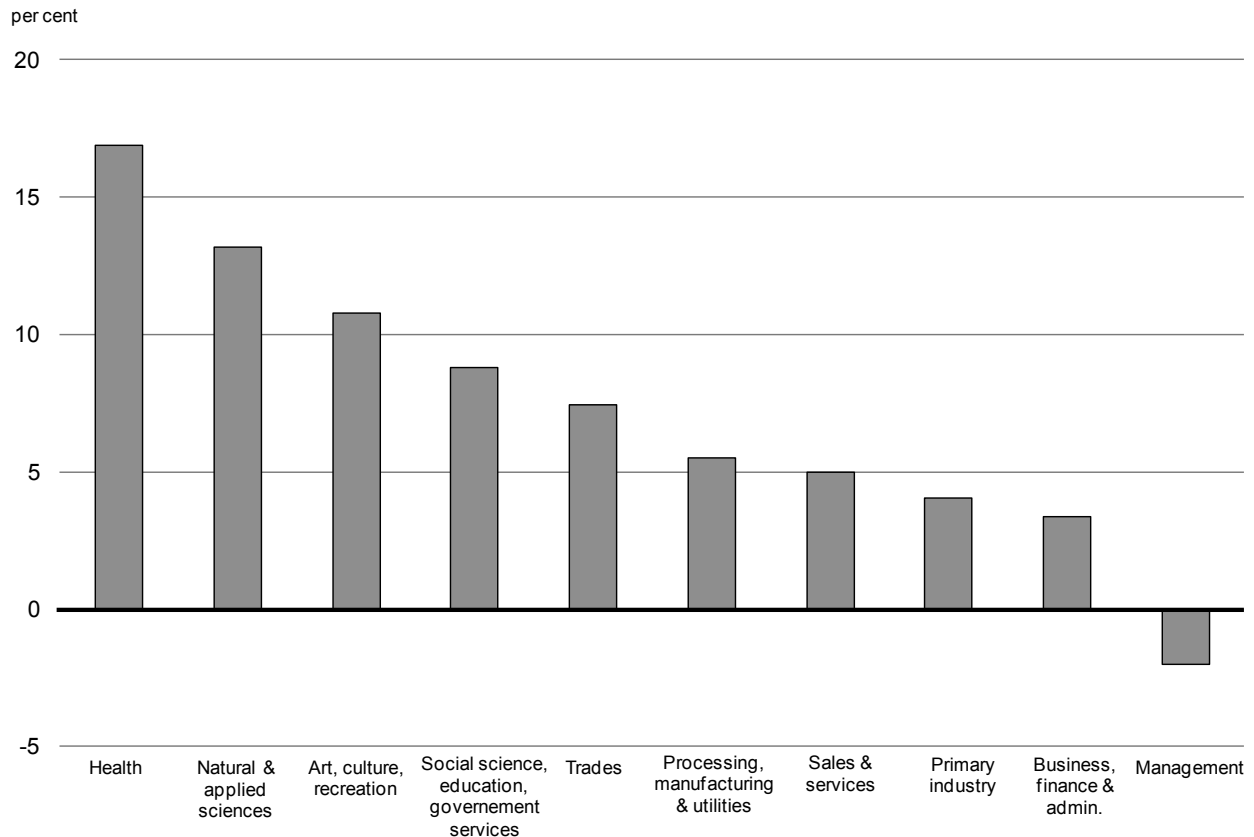


- All provinces and territories have shared in employment gains over the recovery.
- Employment growth over the recovery was around or above the national average in a majority of provinces and territories.
- The largest job creation rates since the trough in total employment were in Yukon and Nunavut, followed by Alberta and Newfoundland and Labrador.
- Employment over the recovery has increased in most industries.
- A large portion of jobs created over the recovery have been in the service-producing industries, with the largest gains registered in professional services, health care, and accommodation and food industries. Service-producing industries have been a key source of job creation in most provinces over the recovery.
- Job creation over the recovery has also been robust in the mining, oil and gas and construction sectors, particularly in the Prairies and in Atlantic Canada.



Job creation over the recovery has also been broad-based across occupations

Improvement in Employment Over the Recovery, by Occupation Group, Canada



Note: From July 2009 to January 2014.

Sources: Statistics Canada (Labour Force Survey); Department of Finance calculations.

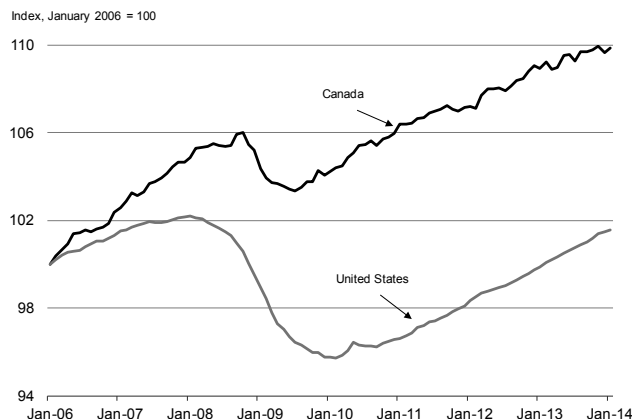
- Job gains over the recovery were observed in all major occupation groups, with the exception of management occupations. Job losses in management occupations were mainly private-sector jobs in sales, marketing and advertising, and in retail trade.
- Job creation over the recovery was stronger in some occupation groups. Employment grew by more than 13 per cent in health and in natural and applied sciences occupations. Employment in social science, education, and government services; in art, culture, and recreation; and in trades grew by over 7 per cent.
- Many occupations with double-digit employment growth over the recovery were high-skilled, high-wage occupations, which usually require university or college education or apprenticeship training. Specifically, about three-quarters of all jobs created over the recovery required at least some college education or apprenticeship training. Examples of such occupations include professionals in health and natural and applied sciences, lawyers, and contractors in trades.



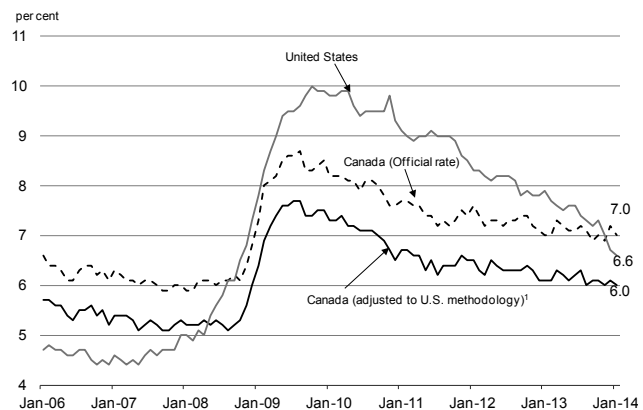
The labour market situation in Canada contrasts sharply with that in the United States

Total Employment and Unemployment Rate, Canada and United States

Total Employment



Unemployment Rate



Note: Last data point is January 2014.

¹ Conceptual differences raise the Canadian unemployment rate relative to the U.S. rate. In particular, Statistics Canada considers as unemployed those passively looking for work (e.g. reading want ads) as well as those who will begin work in the near future, while the U.S. Bureau of Labor Statistics does not include either group in the labour force. In addition, the Canadian methodology includes 15-year-olds (who have a higher-than-average unemployment rate), while the U.S. does not.

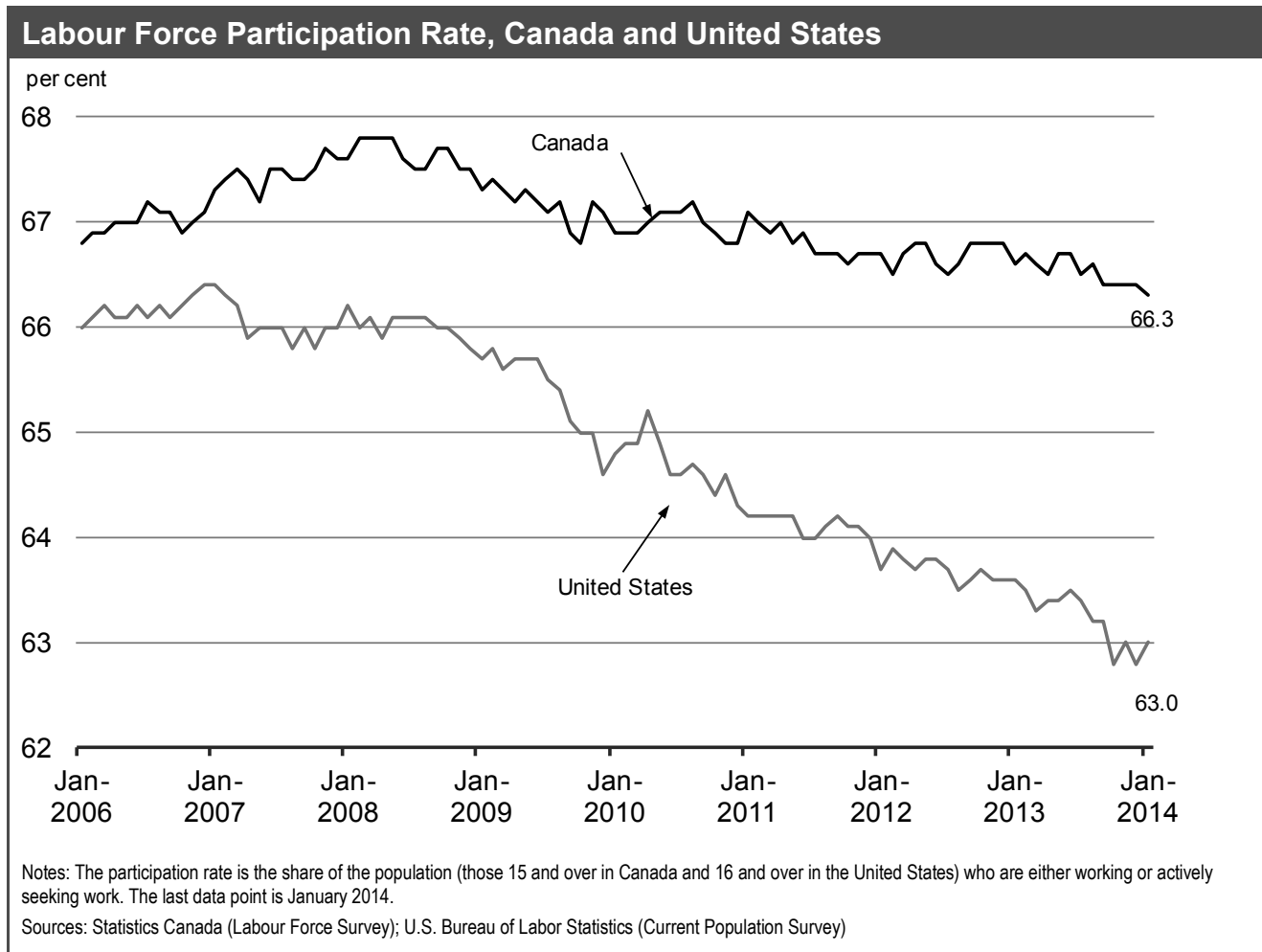
Sources: Statistics Canada (Labour Force Survey); U.S. Bureau of Labor Statistics (Current Employment Statistics and Current Population Survey); Department of Finance calculations.

- The labour market situation in Canada contrasts sharply with that in the United States.
- In the United States, employment has yet to return to pre-recession levels almost five years after the end of the global recession, while in Canada employment is significantly above its pre-recession level.
- When Canadian unemployment is measured on the same basis as in the United States, the unemployment rate in the United States is 0.6 percentage points higher than in Canada.
- The U.S. participation rate (the share of the population 15 and over in Canada, and 16 and over in the United States, either working or actively seeking work) has declined sharply and stands at its lowest level in more than 35 years. In contrast, the Canadian labour market has maintained a much higher labour force participation rate, which indicates that there are fewer discouraged workers in Canada, as more of the unemployed are seeking work and finding it (see next page).
- As discouraged workers are no longer considered to be unemployed, this has resulted in a somewhat artificial reduction in the U.S. unemployment rate. In fact, if the change in the U.S. participation rate had matched that in Canada, its unemployment rate would stand at about 9 per cent.¹

¹ For example, the U.S. participation rate has fallen by 2.5 percentage points since July 2009, whereas Canada's participation rate has declined by 0.8 percentage points over the same period. If the U.S. participation rate had fallen by the same amount as Canada's, and the level of U.S. employment had stayed the same, the U.S. unemployment rate would currently be 9.1 per cent.



Furthermore, the Canadian labour market has maintained a higher labour force participation rate than the U.S. labour market



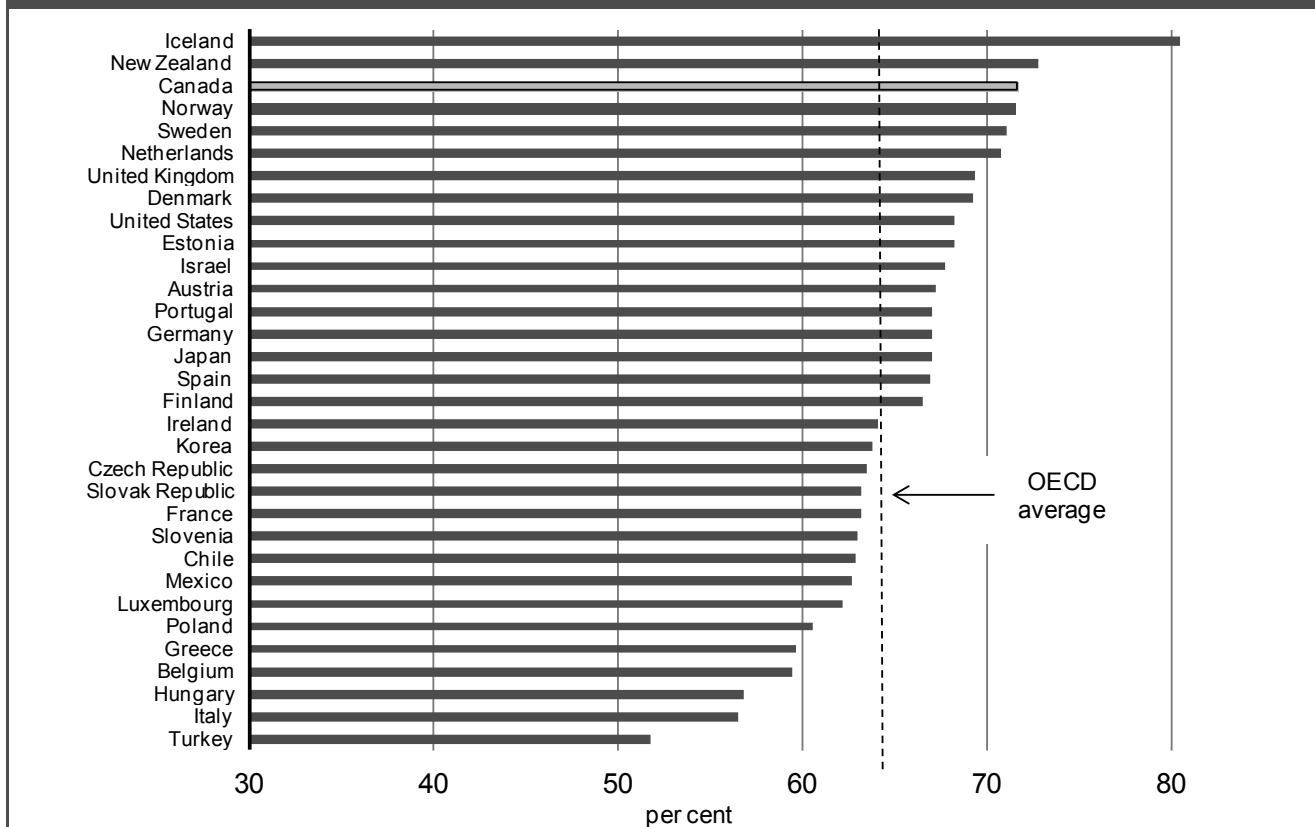
- The participation rate gap between Canada and the United States has more than doubled since 2009, increasing from about 1.6 percentage points at the beginning of 2009 to about 3.3 percentage points in January 2014, one of the largest on record.
- Population aging is exerting downward pressure on the participation rate in both Canada and the United States as the share of older workers, who have lower rates of labour force participation, increases. This is a contributing factor to declining participation rates in both countries. However, this impact is greater in Canada as its population is aging more rapidly. Since January 2009, population aging is estimated to have reduced the labour force participation rate by 1.2 percentage points in Canada and 1.0 percentage points in the United States.²
- Underlying structural declines in the labour force participation rate that were well in place before the recession, as well as a deeper recession and weaker economic recovery in the United States that have resulted in many discouraged job seekers dropping out of the labour force, have led to a significantly larger decline in the participation rate in the United States than in Canada.

² To get a sense of the impact of population aging on labour force participation rates, we calculate what the labour force participation rate would be if the age distribution of the population had not changed since January 2009 but the participation rate of each age group had been allowed to vary over time. The impact of population aging is calculated as the difference between this hypothetical participation rate (with the age structure held constant) and the actual participation rate in January 2014.



Canada's labour force participation rate is also high by international standards

Labour Force Participation Rate, Working-Age Population, OECD Countries, 2012



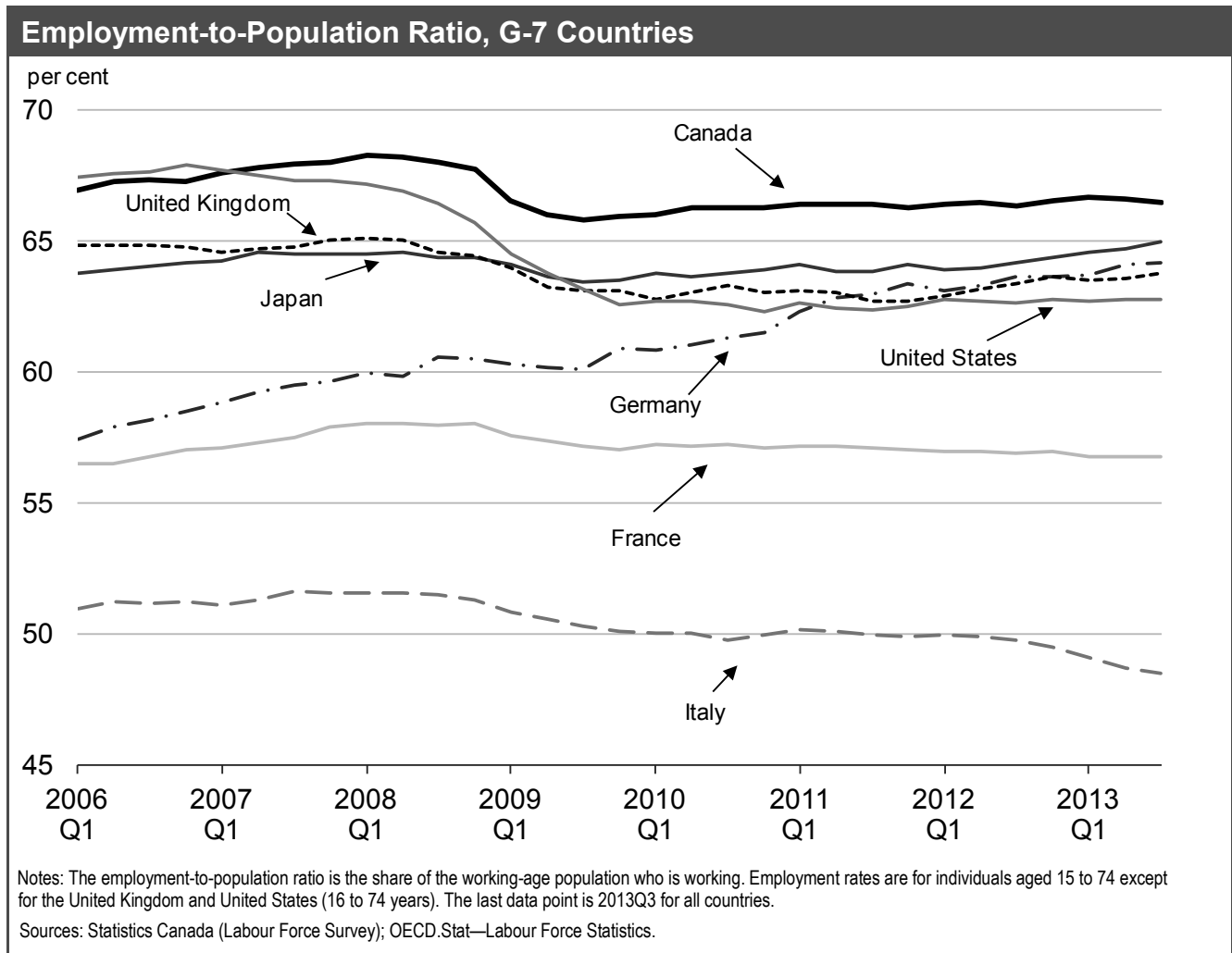
Notes: The participation rate is the share of the working-age population (those aged 15 to 74) who is either working or actively seeking work. Participation rates are for individuals aged 15 to 74 years except for Iceland, Norway, Spain, the United Kingdom and United States (16 to 74 years). The OECD average is based on 32 countries.

Sources: OECD. Stat—Labour Force Statistics; Department of Finance calculations.

- The rate at which Canadians participate in the workforce is higher than in most other OECD countries.
- In 2012, about three quarters of Canadians aged 15 to 74 were engaged in the labour force. This rate was the third highest among OECD countries.
- Canada's high levels of labour force participation are observed for both men and women, but participation among Canadian women is particularly strong compared to women in other OECD countries. In 2012, about 76 per cent of Canadian men aged 15 to 74 participated in the labour force, ranking Canada sixth highest in the OECD (the OECD average was 73 per cent). Women continue to have lower participation rates than men, as in other OECD countries. However, at 68 per cent, Canada's labour force participation rate for women aged 15 to 74 ranked fourth in the OECD and was 9 percentage points higher than the OECD average (59 per cent).



Canada's employment as a share of the working-age population is the highest among the G-7 countries



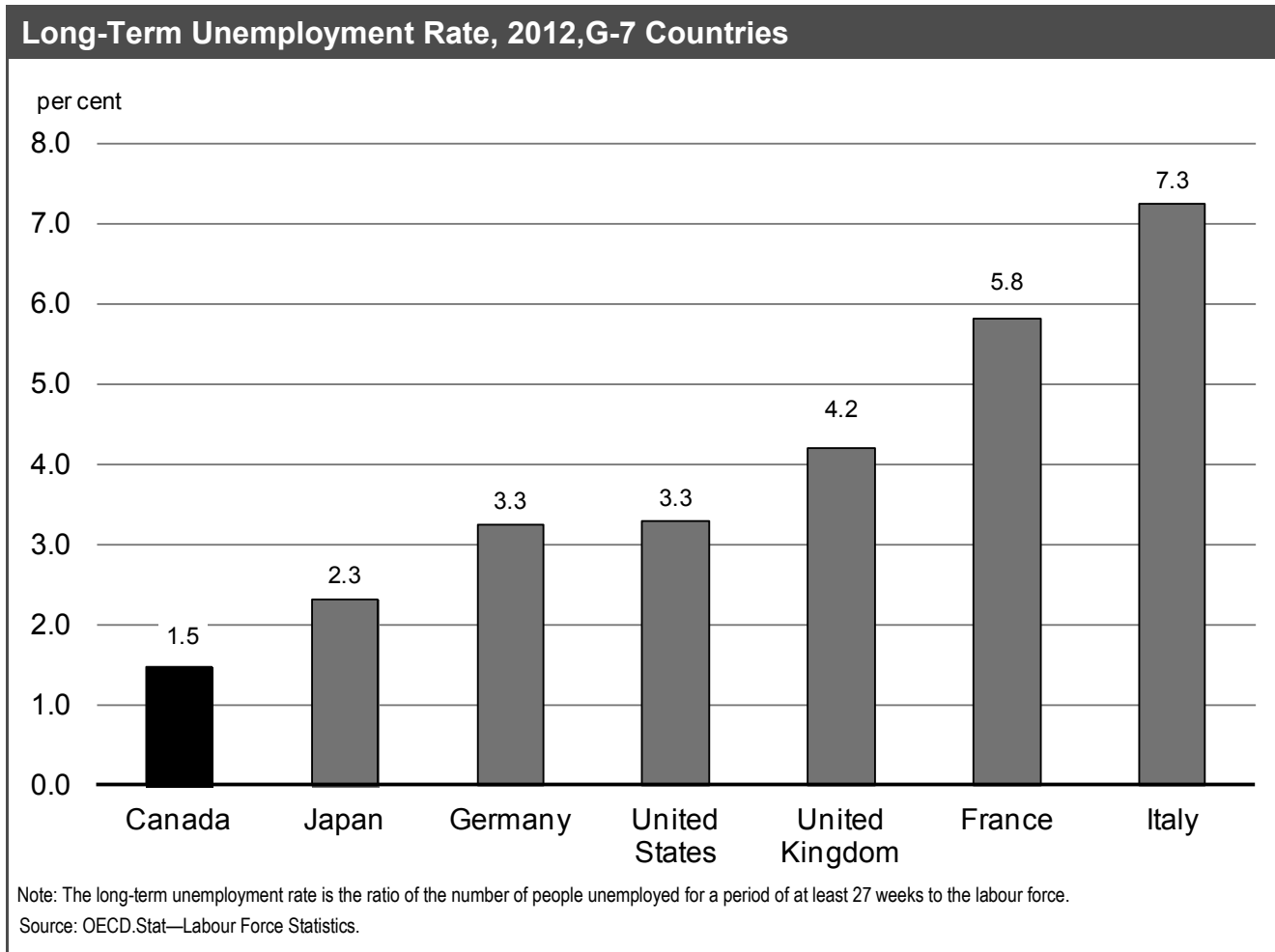
- Another key labour market indicator is the employment-to-population ratio—defined as employment as a percentage of the working-age population. A high employment-to-population ratio indicates that a large proportion of the working-age population is working. Prior to the recession, the employment-to-population ratio in the United States was similar to that in Canada.
- Since then, the employment-to-population ratio in the United States has been steadily falling, and has remained below 65 per cent since the beginning of the recovery. As a result, the employment-to-population ratio is now over 3 percentage points higher in Canada than in the United States.
- Indeed, Canada's employment-to-population ratio is higher than that of any other G-7 country.



- While employment in Canada has surpassed its pre-recession level, the working-age population has also continued to expand. As a result, Canada's employment-to-population ratio remains slightly below pre-recession levels.
- Germany's labour market has also performed well compared to those of other G-7 countries, with its employment-to-population ratio continuing to grow throughout the recession. This increase was driven by older workers (aged 55-64 years), likely reflecting a number of structural reforms (e.g. the phasing out of early retirement and special unemployment-benefit schemes for older workers) initiated in the years preceding the recession.



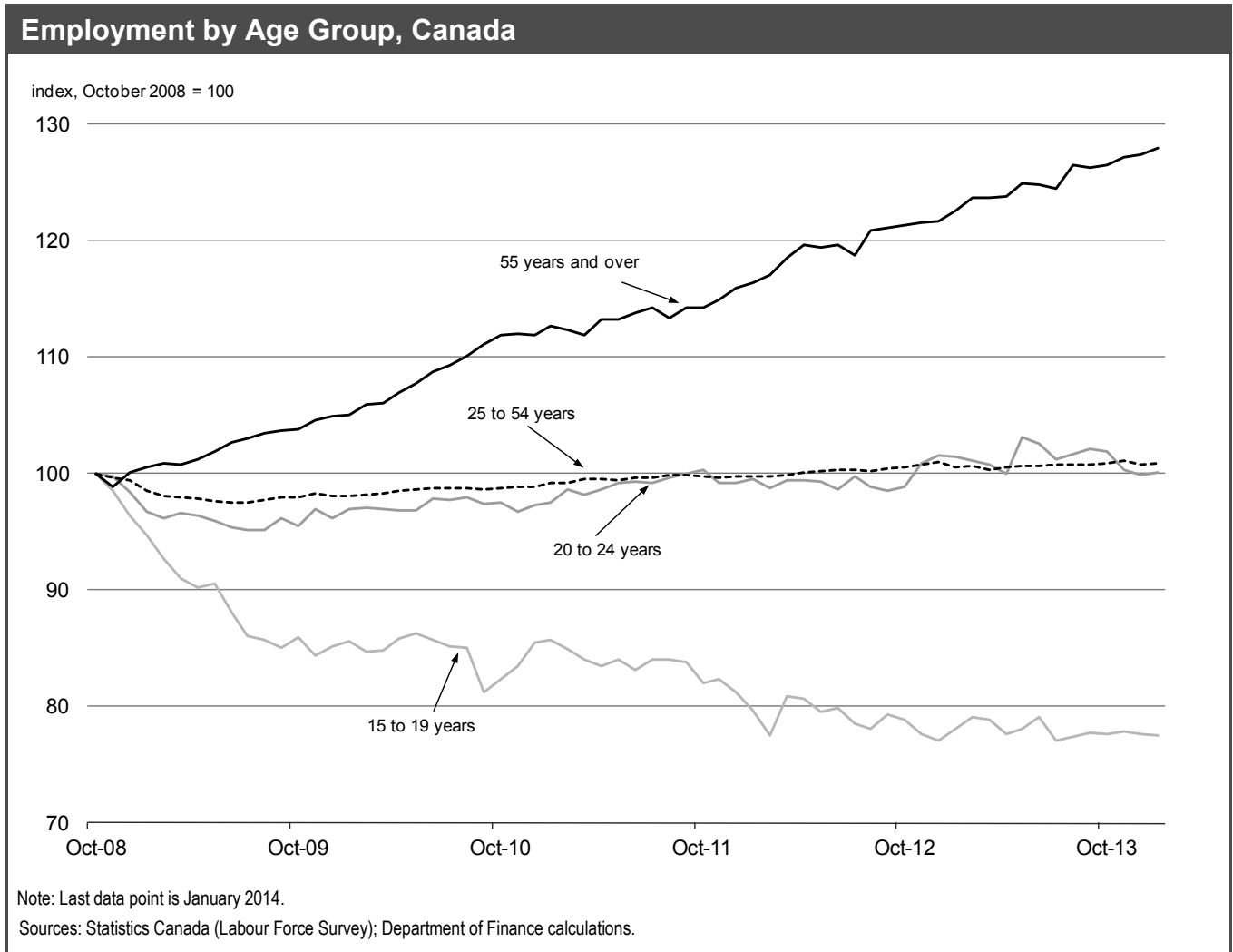
Canada's long-term unemployment rate is lower than all other G-7 countries



- The stronger performance of the Canadian labour market is also reflected in the long-term unemployment rate (the number of people unemployed for a period of at least 27 weeks as a share of the labour force).
- In addition to the financial difficulties involved, being unemployed for an extended period can cause a deterioration of skills, making it more difficult to re-enter the labour market.
- Canada's long-term unemployment rate stood at 1.5 per cent in 2012, well below all other G-7 countries, including the United States. The long-term unemployment rate in Canada is below its average since 1976 while the rate in the United States remains more than twice its average over the same period.
- This suggests that Canada's labour market is generally functioning well and that the majority of the unemployed make the necessary adjustments to meet the needs of the labour market.



The number of employed Canadians has surpassed pre-recession levels for most age groups, particularly older workers



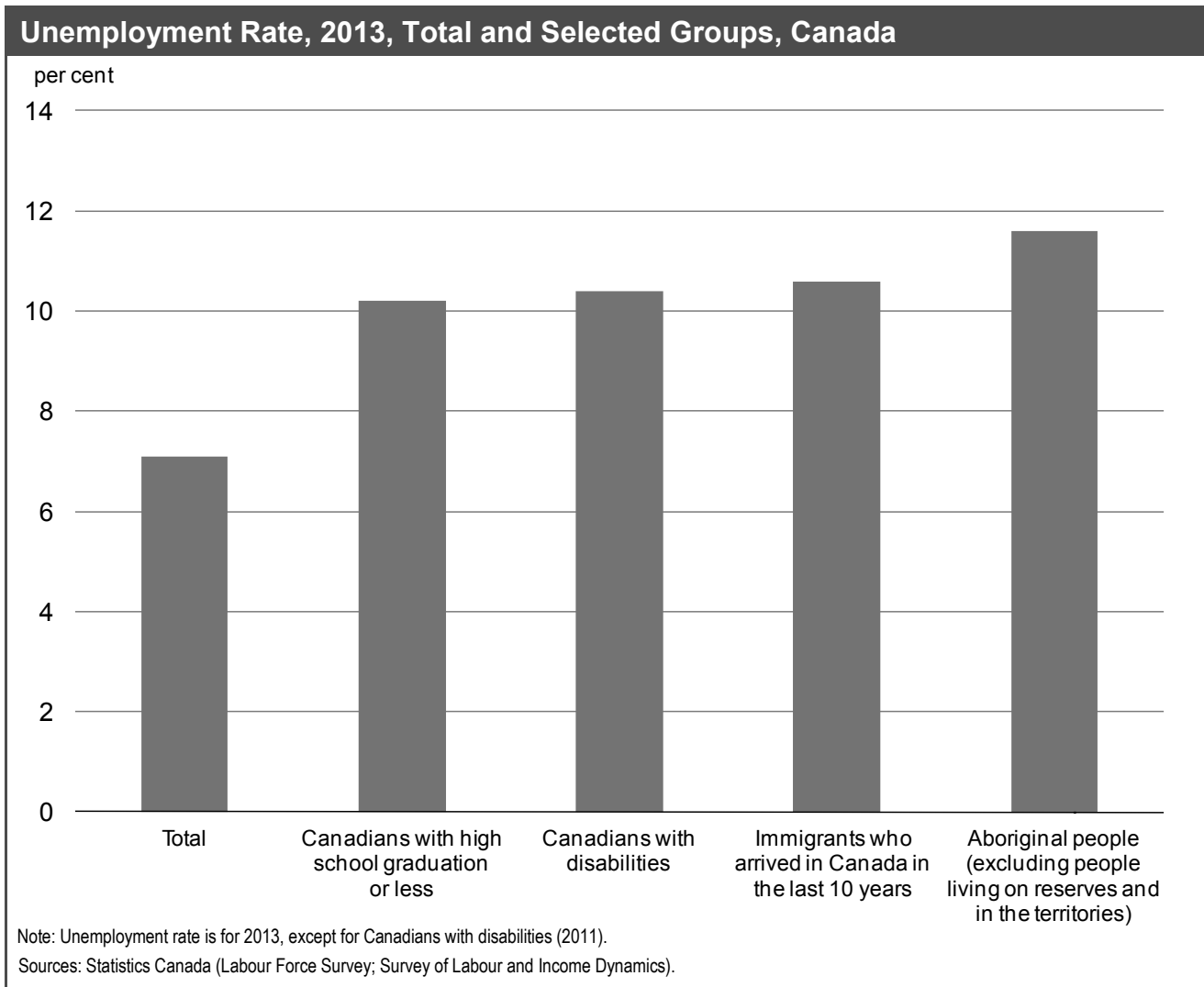
- The Canadian economy has more than recouped all the jobs lost during the recession, with the number of employed Canadians similar to or surpassing pre-recession levels across most age groups.
- Most age groups have also shared in employment gains since the recovery began in July 2009, with both men and women benefitting equally from robust job creation.
- The largest increase in employment over the recovery has been among Canadians aged 55 and over, along with strong increases in labour force participation of older Canadians. Employment among older workers expanded by over 670,000 jobs over the recovery, continuing a trend largely unaffected by the recession.



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- The employment of prime-aged Canadians and youth aged 20 to 24 has also increased over the recovery, with about 392,000 jobs created among Canadians aged 25 to 54 and 78,000 among youth aged 20 to 24 since July 2009. As a result, employment for both age groups is now similar to pre-recession levels.
 - Indeed, the decline in the employment rate of young Canadians since 2008 (from 60 per cent in 2008 to 55 per cent in 2013) is driven by a decline in the employment rate of youth students aged 15 to 19. The drop in employment for this age group (the large majority of whom are full-time students) was affected by a decline in their labour force participation rate. The cyclical pattern in the participation rate of youth aged 15 to 19 is mainly driven by the behaviour of full-time students in the labour market, who tend to take part-time jobs when the economy is strong and withdraw from the labour market as the labour market weakens. In contrast, the employment rate of non-student youth showed considerable strength over the recovery and, at 76 per cent in 2013, is only slightly below its pre-recession historical record high.
 - Canada still has one of the highest youth employment rates among its OECD peers, ranking fifth (with a rate of 55 per cent for youth aged 15 to 24 in the third quarter of 2013), well above most other OECD countries including Germany (47 per cent), the United States (47 per cent), Sweden (42 per cent) and Spain (16 per cent).



The unemployment rate continues to be high for specific groups in Canada's labour market



- Securing employment is a challenge for a number of Canadians, including recent immigrants, Aboriginal peoples, persons with disabilities and less-skilled individuals (i.e. Canadians with high school graduation or less), who have unemployment rates above those of other Canadians aged 15 and over.
- Despite their high levels of educational attainment, recent immigrants have weaker labour market outcomes than Canadian-born workers, including higher unemployment rates and lower earnings. The relative labour market performance of each successive cohort of Canadian immigrants has also been deteriorating since the 1980s. Factors preventing the effective labour market integration of immigrants include significant official-language and literacy challenges, challenges related to credential recognition, and a misalignment between the skills possessed by immigrants and those required for the jobs available.



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- A growing number of Aboriginal youth are poised to enter the labour market. Aboriginal peoples continue to face a number of barriers to successful labour market integration, including low literacy levels and high school completion rates. The unemployment rate remains particularly high for Aboriginal peoples living on reserve (about 25 per cent in 2011).
 - Completing some form of post-secondary education and participating in the workforce remain a challenge for many persons with disabilities. Challenges in adapting facilities at educational institutions and workplace policies and accommodations (e.g. modifications to working days, reduced work hours, modified or ergonomic workstations) can often be a barrier.
 - In an aging society and given increasing average life expectancy, Canada should also ensure that older individuals who wish to continue to take part in the labour market are able to do so. The labour force participation rate of Canadians aged 55 to 74 has increased by 18 percentage points since 1996 and is above the average for members of the OECD. However, in some OECD countries, such as Japan, the United States and most Nordic countries, older people have markedly higher participation rates than in Canada.



Chapter 2

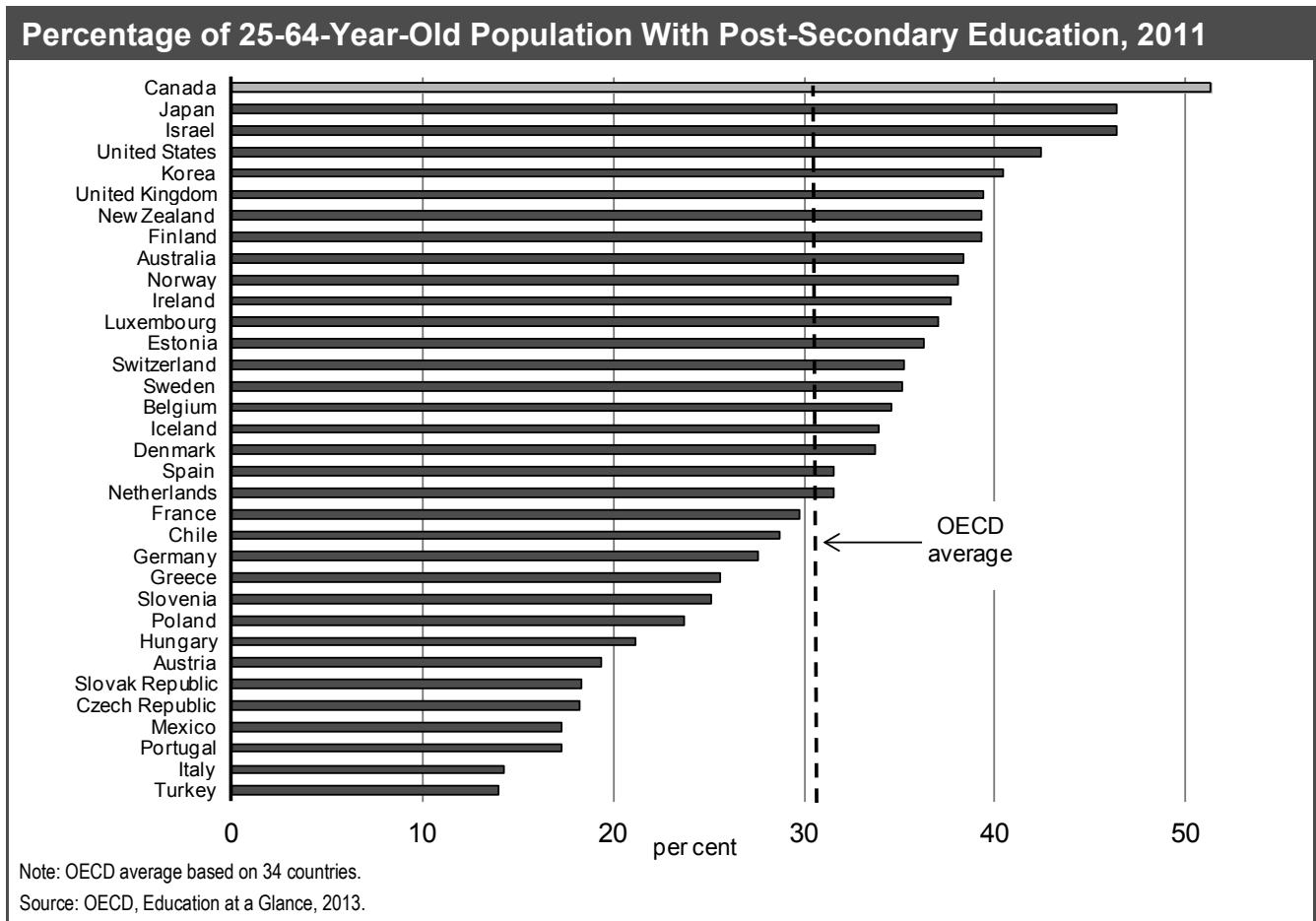
Education, Skills, Mobility and Imbalances Between the Demand For and Supply of Skills

Highlights

- ✓ Canada needs a mobile, flexible and highly skilled labour force to keep up with rapidly advancing technology and increased worldwide competition.
- ✓ Overall, Canada ranks well internationally in developing its human resources and providing its workforce with the skills and education needed to succeed in a competitive economy. Among OECD peers, Canada has the largest share of its population with at least a post-secondary education.
- ✓ Canadians are fairly mobile. They also respond well to labour market signals and move to regions and occupations with better employment opportunities.
- ✓ However, significant disparities in regional unemployment rates persist. This phenomenon suggests that institutional and non-economic barriers to mobility remain in Canada.
- ✓ Imbalances between labour supply and demand persist in certain occupation groups and regions, and these imbalances are larger than the unemployment rate would normally warrant.
- ✓ Difficulty in hiring over the recovery has become challenging in certain occupations (including skilled trades and science-based occupations) and regions (particularly in Alberta and Saskatchewan).
- ✓ There is room for improvement in the shift to a knowledge-based economy. Canadians are highly educated but, compared to other OECD countries, relatively few of them graduate in high-demand fields such as science, technology, engineering and mathematics, and apprenticeship programs. Canada also appears to be lagging its peers in developing business skills.
- ✓ The number of apprentices completing training and obtaining certification has doubled from 2000 to 2011, but apprenticeship completion rates have averaged only 50 per cent over this period, which is low compared to other countries.



Canada has high post-secondary educational attainment levels by international standards

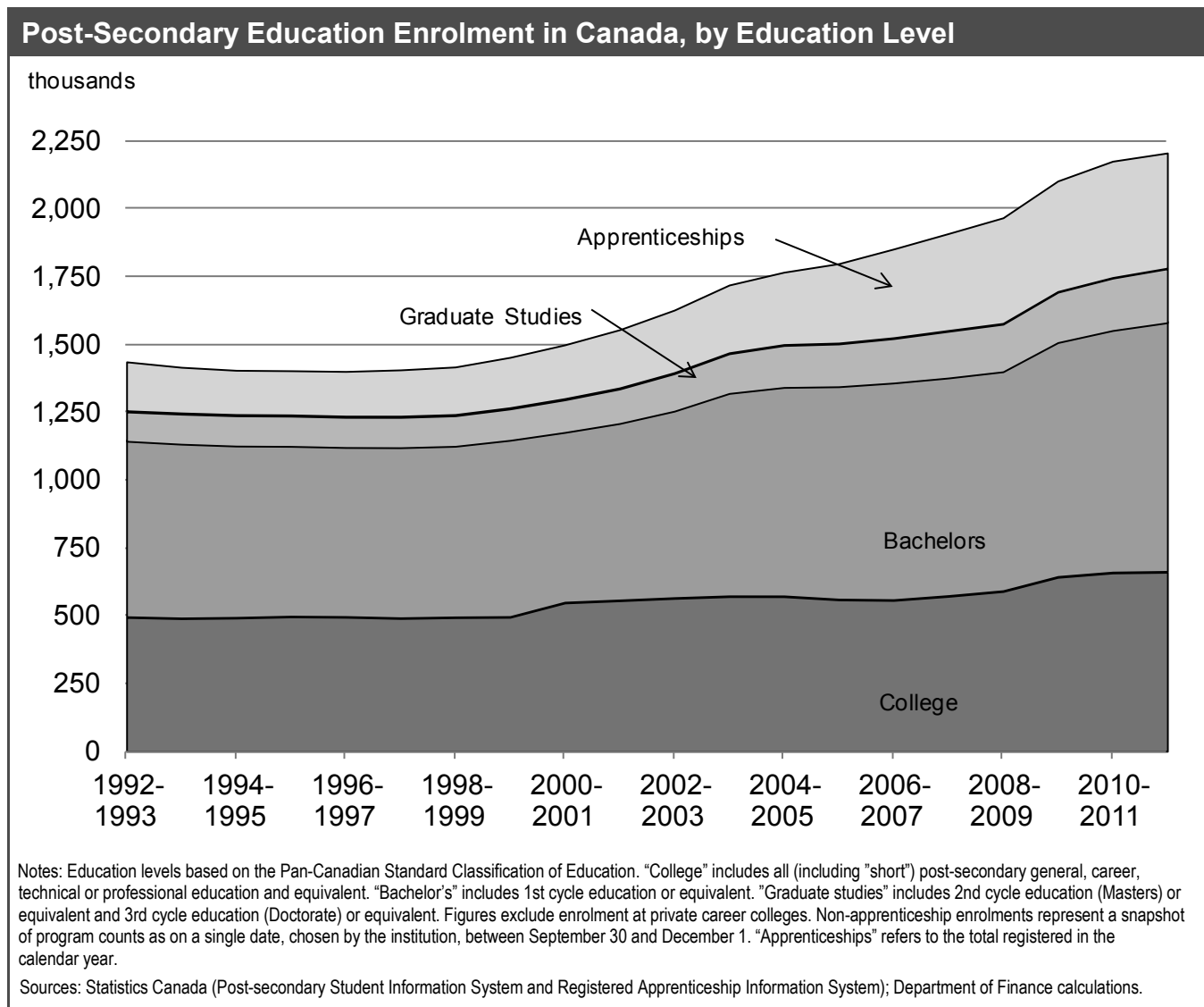


- Canada's education system has enabled a large proportion of its population to receive a higher education.
- Currently, about 51 per cent of Canadians aged 25 to 64 have attained post-secondary education (this includes degrees from CEGEPs in Quebec, colleges and universities but excludes education obtained under trades and registered apprenticeship programs, as well as programs offered by private career colleges)³.
- This places Canada at the top of the rankings among OECD peer countries, well above the OECD average.
- The share of Canadians with a post-secondary education is even higher among younger cohorts. For example, 57 per cent of Canadians aged 25 to 34 have a post-secondary education, a rate which is lower than only Korea and Japan.
- Further, international student assessment results indicate that Canada's elementary and secondary education system graduates students with strong levels of literacy by global standards. Among 34 OECD peer countries, 15-year-old Canadian students ranked 5th in reading, 7th in mathematics and 6th in science in 2012 (based on the OECD's Programme for International Student Assessment).

³ In 2011, about 12 per cent of Canadians aged 25-64 reported that their highest certificate, diploma or degree was an apprenticeship certificate or other trades certificate or diploma (Statistics Canada, 2011 Census).



Participation in post-secondary education in Canada has grown significantly over the past two decades



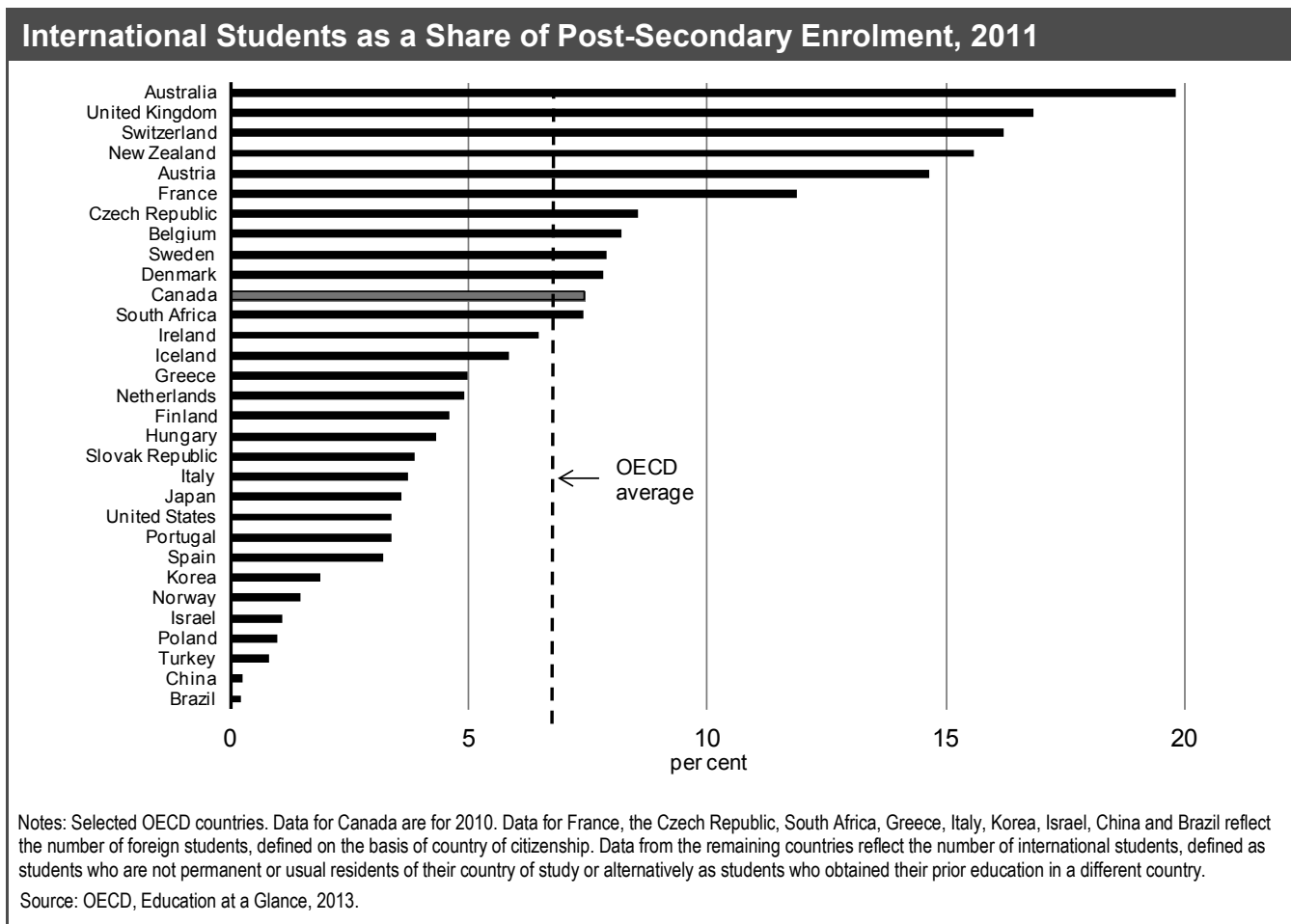
- Students participating in Canada's education system are the largest source of new labour supply.
- Over the last two decades, the proportion of Canadians whose highest level of educational attainment is less than high school has declined significantly, and a growing number of Canadians have acquired post-secondary education.
- The greatest number of enrolments continues to be in bachelor's programs, but a substantial number of individuals are enrolled in college programs. Indeed, college programs continue to support access to post-secondary education in all regions of Canada and meet varying educational and training needs for students and employers.



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- The apprenticeship system also plays an important role in Canada's post-secondary education system, with enrolments increasing significantly over the past two decades. The number of total registrations and apprentices completing training has doubled from 2000 to 2011. However, apprenticeship completion rates have averaged only 50 per cent over the same period, which is low compared to other countries where information on apprenticeship is available.
 - Women now represent the majority of students enrolled in college and university programs, comprising 56 per cent of enrolments in the 2010–11 academic year. However, women continue to be under-represented in a number of disciplines, including mathematics, computer science, architecture and engineering. Women also participate to a much lower degree than men in apprenticeship programs: in the 2010–11 academic year, only 13 per cent of registrants were women.



Canada attracts international students and successfully integrates them into the labour market

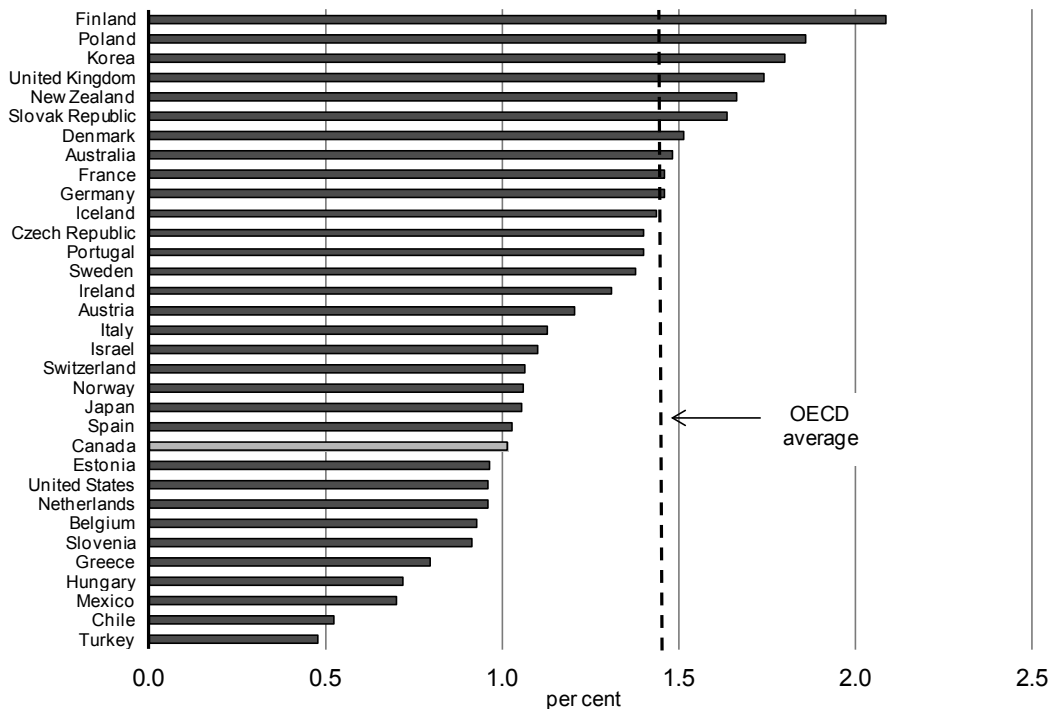


- Attracting international students plays an important role in bringing highly skilled immigrants to Canada. Those who choose to stay in Canada upon graduation integrate well into the Canadian economy, as their qualifications are readily recognized and they are already familiar with the language and culture.
- International students comprise about 7 per cent of post-secondary enrolment in Canada—a significant proportion, but modest compared with rates above 15 per cent in some competitor countries such as Australia, the United Kingdom, New Zealand and Switzerland.
- In 2008, a third of international students remained in Canada after their student permit expired, which is the highest share among OECD countries with available data, including Australia, the United Kingdom and New Zealand.
- International students are more likely than domestic students to study in science-related fields. In 2011, about 34 per cent of international students in Canada chose to study science, engineering, computing and mathematics compared to about 20 per cent for Canadian students.



Canada has a lower proportion of graduates in science, engineering and mathematics than many other OECD countries

STEM University Graduates as a Share of the 25-34-Year-Old Population, 2011



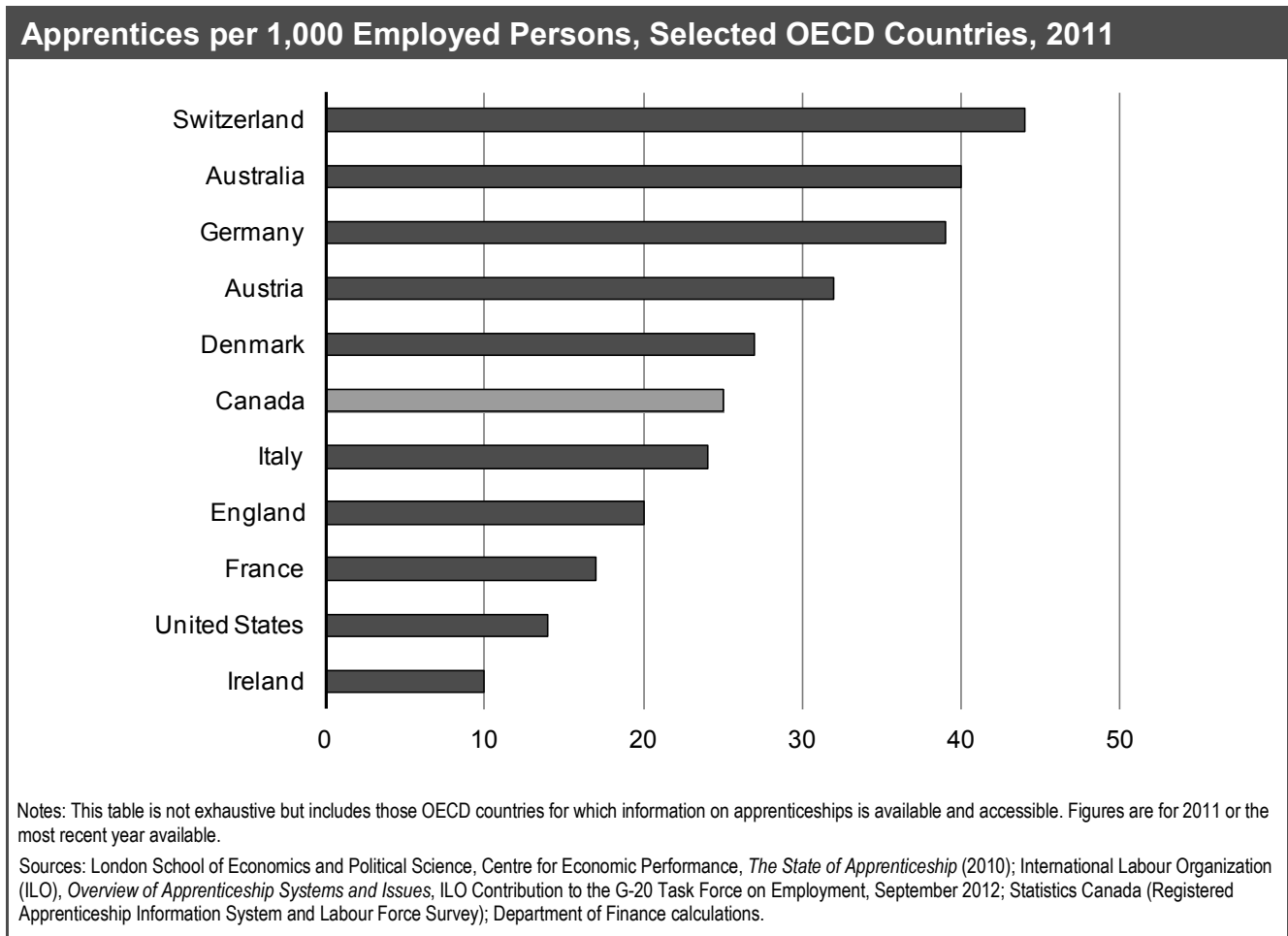
Notes: University education reflects education from Tertiary Type A or advanced research programs. STEM refers to the fields of life/physical sciences, computing, mathematics/statistics, and engineering. Data for Iceland are for 2010 and data for France are for 2009. OECD average excludes Luxembourg.

Sources: OECD Graduates by Field of Education database; Department of Finance calculations.

- Fuelling innovative growth in the shift to a knowledge-based economy requires a highly skilled workforce. In this respect, workers with science, technology, engineering and mathematics (STEM) degrees play an important role as they are at the leading edge of technological progress. Highly educated managers also influence the adoption of best business practices and technologies.
- In this respect, Canada performs relatively poorly, along with some other advanced economies including the United States. Canadian universities graduate fewer students from STEM fields as a share of the 25-to-34-year-old population than universities in many other OECD countries.
- However, Canada's college system produces a substantial number of graduates in STEM fields. Moreover, this statistic hides the fact that Canada is strong in several STEM fields. In particular, Canada graduates relatively more students than the OECD average and the United States in the life sciences, physical sciences, and mathematics and statistics. Low graduation rates in engineering and computing drag down the overall STEM graduation rate.
- Women continue to be under-represented in the STEM fields in Canada, as in other OECD countries.
- Canada appears to fall short in developing business skills and has fewer highly educated managers, which may lead to lower innovation levels. Canadian managers tend to be less educated than their counterparts in the United States. Canada also ranks below the United States in terms of the share of the 25-to-34 year-old population graduating with business and administration degrees (about 0.9 per cent in Canada versus 1.4 in the United States).



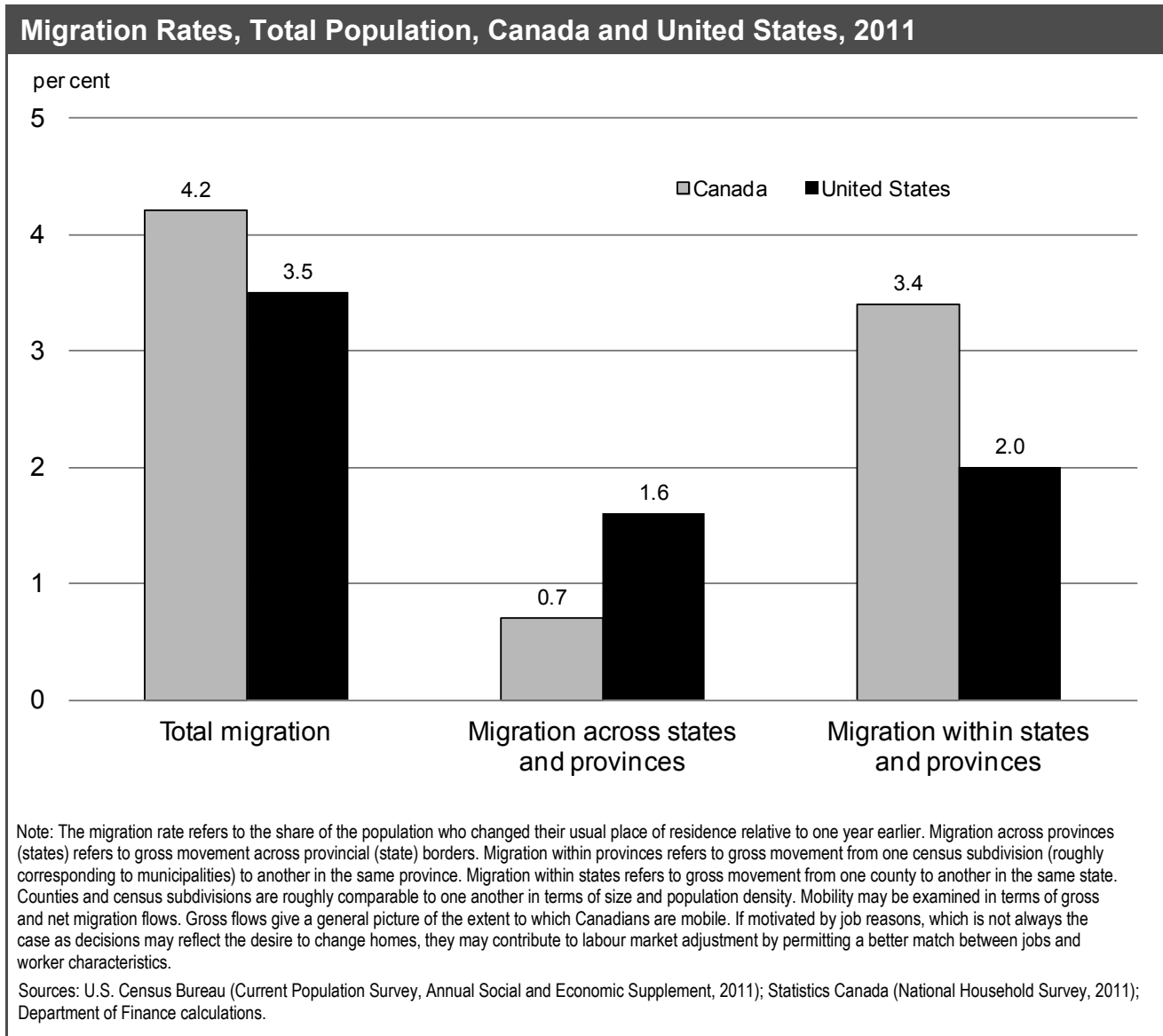
Canada's supply of apprentices is relatively small compared to other countries, likely reflecting differences in the nature of the apprenticeship system



- Skilled trades play an important role in a knowledge-based economy and are essential to maintain Canada's competitive position.
- Canada's apprenticeship system is a key provider of practical skills and knowledge necessary to practise a trade. Canada's apprenticeship system is markedly different from those of other countries, which makes comparisons between systems difficult. In Central European countries, apprenticeship training is highly integrated into the secondary education system, with students often completing an apprenticeship before enrolling in a tertiary education program. In Canada, apprenticeship training is part of the post-secondary system, and is typically used as a way to train adults in the skilled trades. Each province and territory has the responsibility for apprenticeship training. Having 13 different apprenticeship systems may restrict the ability of apprentices to easily cross jurisdictions.
- Overall, the share of people enrolled in apprenticeship programs in Canada is relatively small compared with other countries for which information on apprenticeships is available. Furthermore, only about half of Canadian apprentices complete their programs, a rate that is substantially lower than that of community college and university students.
- Trade certification allows employers to recognize a worker's skills; thus, greater apprenticeship completion may facilitate higher wages, labour mobility, and improved employment prospects.



Canadians are generally as mobile as Americans



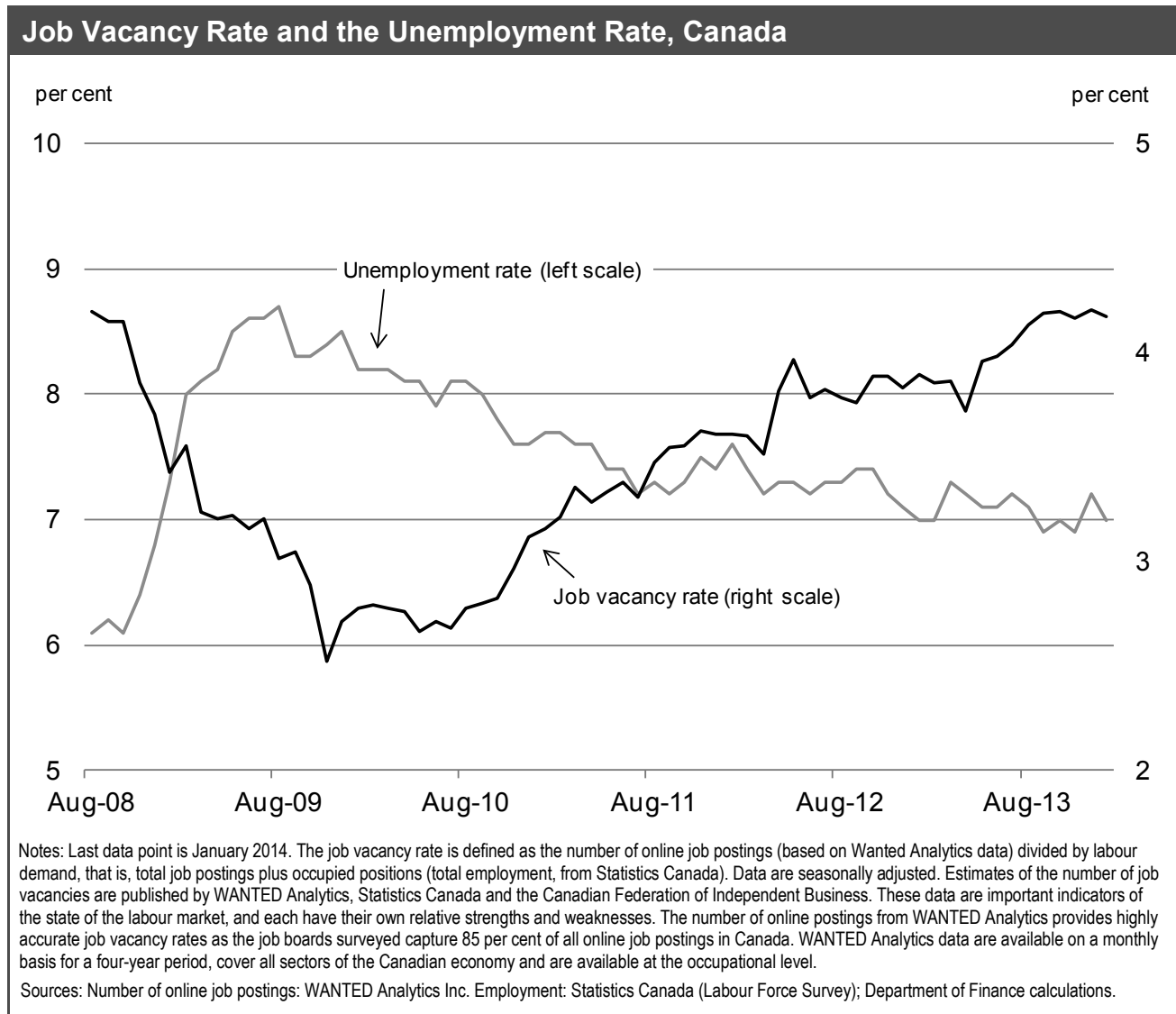
- As the structure of the Canadian economy changes in response to shifts in the global economy, a mobile labour force is important to ensure that labour is reallocated to where it is most needed.
- Every year, a significant number of Canadians move to a different region in search of better job opportunities. Canada's inter-provincial migration rate is lower than the inter-state migration rate in the United States: 1.6 per cent of Americans move across state borders each year, while less than 1 per cent of Canadians move across provincial borders. Canada's relatively low inter-provincial migration rate may be attributed to longer distances to travel between provinces than between states (distance-related costs are typically considered one of the main barriers to migration), non-economic factors (e.g. language and cultural differences), as well as institutional factors such as credential recognition across provinces and territories.



- A more accurate comparison of mobility in Canada and the United States uses geographic units that are more comparable to one another in terms of size and population density—for instance, U.S. counties and Canadian census subdivisions. Taking these intra-provincial/state migration flows into account reveals that Canadians are as mobile as Americans, with an overall migration rate of about 4 per cent.
- While Canadians respond to labour market signals and have left high-unemployment regions for regions with better employment opportunities, persistent and significant disparities in regional unemployment rates suggest that institutional and non-economic barriers to mobility remain in Canada.



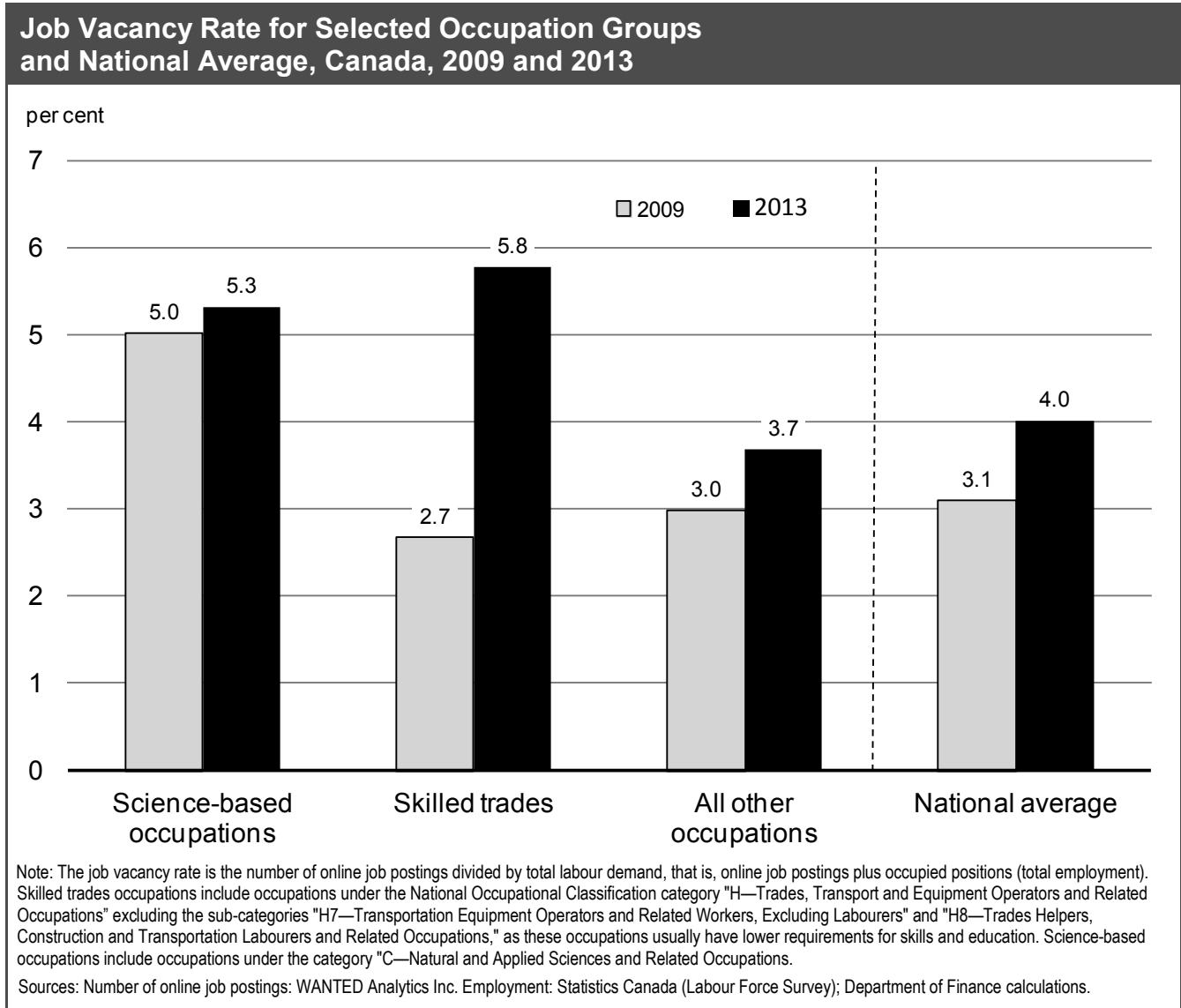
However, Canadian firms are experiencing more difficulty in hiring than the unemployment situation would normally warrant



- Canada's labour market has tightened over the recovery with the job vacancy rate (the share of jobs available that are unfilled) increasing steadily since 2009. Labour shortages are expected to continue to increase in coming years as the economy further improves and population aging exerts pressure on the labour market.
- While Canada has experienced solid job creation over the recovery, Canadian firms are experiencing more difficulty in hiring than the unemployment situation would normally warrant. Canada's unemployment rate in January 2014 was 7.0 per cent, about 1 percentage point above its pre-recession level, whereas the job vacancy rate reached 4.2 per cent in January 2014, a level similar to its pre-recession level, when the unemployment rate was just above 6 per cent.
- This indicates that unemployed individuals now have more difficulty filling vacant positions than before the recession. This could be due to lower search intensity on the part of employers (e.g. employers may be hesitant to hire due to economic uncertainty) or employees, or to a misalignment between the skills of the unemployed and those required by employers.



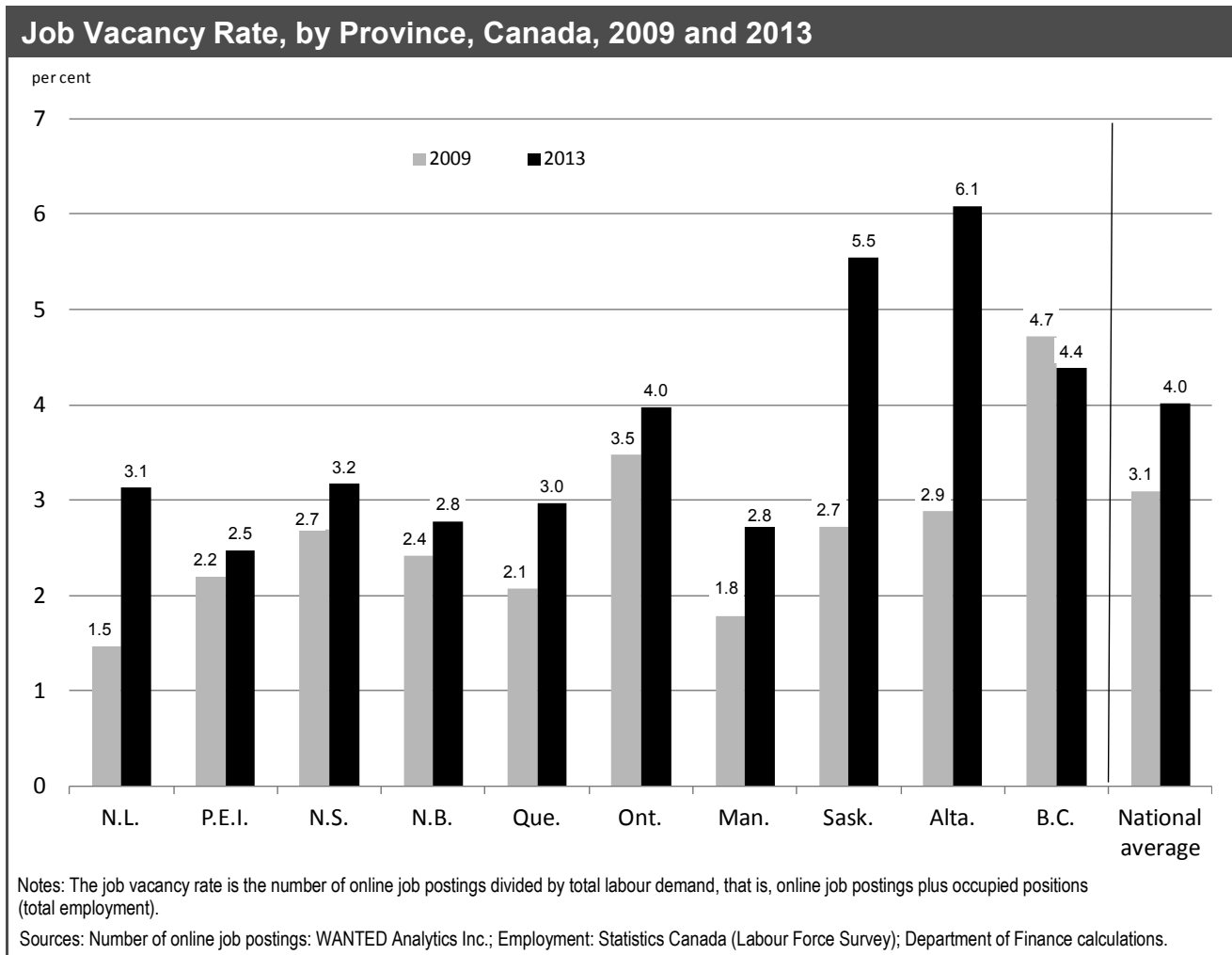
In particular, difficulty in hiring over the recovery has become a more significant issue in certain occupations, including skilled trades and science-based occupations



- The coexistence of job vacancies and unemployment is a normal feature of dynamic labour markets, as it takes time for the unemployed and employers to find one another and for job seekers to adjust their skill set or move to regions where their skills are rewarded.
- However, large and persistent imbalances between labour supply and demand across occupation groups or regions could signal labour market mismatch. This could have adverse impacts on the Canadian economy by delaying the adjustment from declining to expanding sectors and regions.
- Occupations related to natural and applied sciences (e.g. engineers, architects) have had persistently high job vacancy rates over the recovery, suggesting unfilled labour demand in this occupation group. Job vacancy rates in the skilled trades (e.g. construction workers, mechanics, machine operators) have also risen sharply over the recovery. Unfilled demand for this type of skilled labour has been most acute in Alberta and Saskatchewan.



Moreover, large and persistent pockets of unfilled positions exist in certain regions, particularly in Alberta and Saskatchewan



- The increase in the job vacancy rate over the recovery was broad-based across provinces, indicating strong labour demand across the country.
- Alberta, Saskatchewan, and Newfoundland and Labrador have seen the largest increase in job vacancy rates since 2009, largely reflecting high labour demand in certain occupations in these regions, particularly skilled trades and science-based occupations.
- These recruitment difficulties correspond to a lack of an appropriate number of skilled workers on the market at the existing wage. Training, as well as business innovation and adaptation of new technologies, will allow for higher productivity and wages and help realign labour demand and supply. In addition, higher relative wages in expanding sectors and regions encourage mobility and provide incentives for individuals to acquire skills and training to meet the needs of the labour market.



Labour and skill shortages have been identified as presenting significant challenges to Canadian employers

Employer Recruitment Difficulties

The Canadian Chamber of Commerce lists skills shortages as the number one barrier to Canada's competitiveness.

A third of senior Canadian executives surveyed by Workopolis reported that a shortage of skilled workers is the greatest challenge facing Canadian businesses, on par with concerns about the general state of the economy.

The Canadian Federation of Independent Business reports that about a third of businesses surveyed reported having experienced skills shortages limiting their expansion, a rate that is double of what was seen in early 2010.

The Canadian Manufacturing Coalition states that nearly one half of companies surveyed face "immediate labour and/or skills shortages."

ManpowerGroup Canada says that labour shortages are at a six-year high in Canada, with vacancies in the skilled trades among the most difficult to fill.

Hays Specialist Recruitment Canada indicates that the shortage of skilled workers is increasing in Canada.

The Canadian Restaurant and Foodservices Association states that 36 per cent of restaurants in Canada report that a shortage of skilled labour is having a negative effect on their business.

The Canadian Association of Petroleum Producers reports that "member companies are facing new and emerging challenges resulting from the growing shortage of skilled workers."

The Information Technology Association of Canada and the Information and Communications Technology Council state that "the skills shortage in the ICT sector is a reality today" and note that, by 2016, some 106,000 ICT workers will be needed.

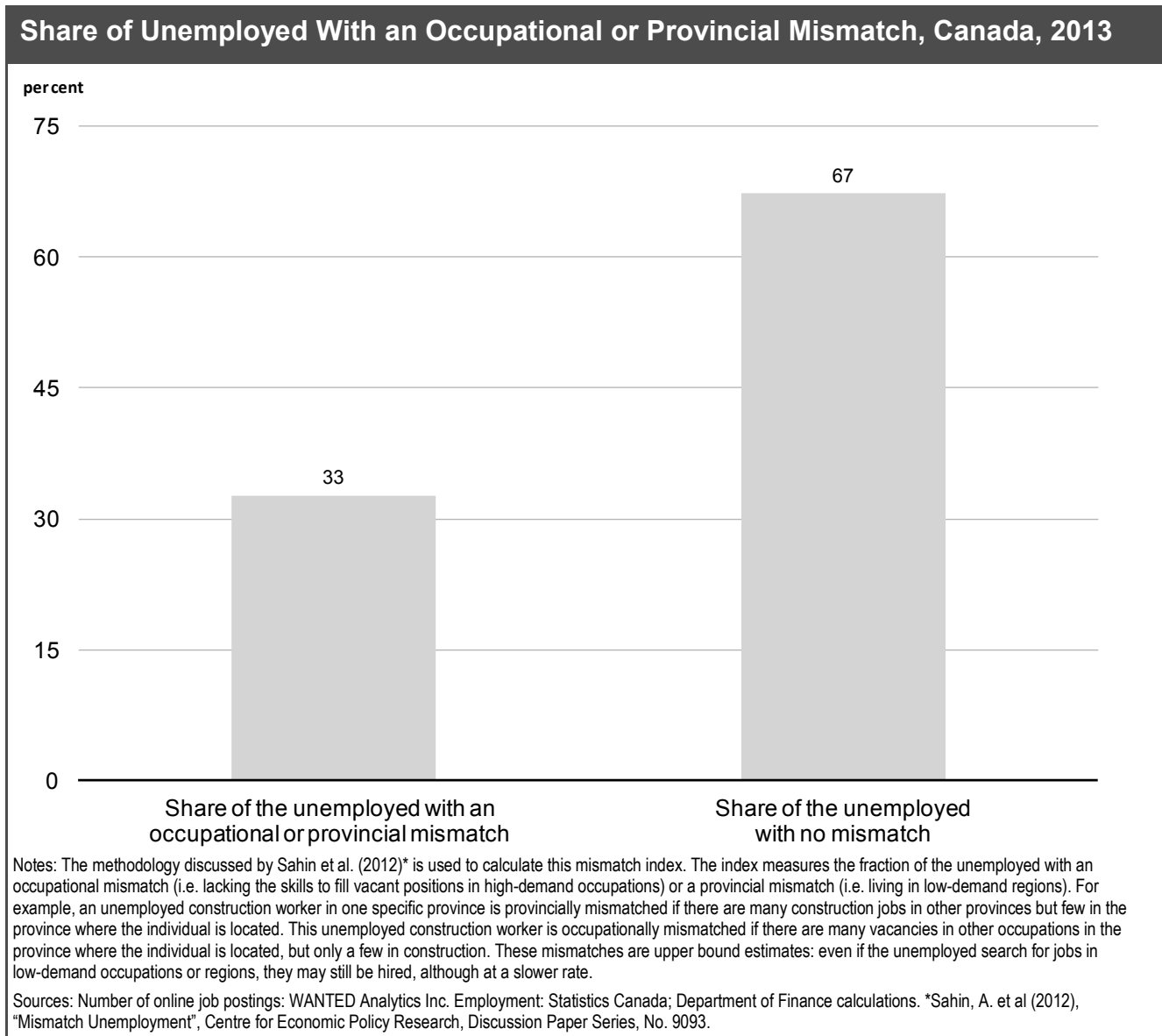
Engineers Canada projects that Canada will face a skills shortage of professional engineers because the workforce cannot be replaced fast enough.

The Forest Products Association of Canada states that the forest products industry has set a goal to recruit at least 60,000 workers by the end of the decade, which it believes will be "an ongoing challenge for the sector at all skill levels."

- A large number of organizations representing and surveying Canadian businesses of all sizes in all sectors of the Canadian economy and in all regions have reported that many businesses are confronted with the challenges of labour and skills shortages.
- These organizations highlight that Canadian employers are currently reporting tangible difficulties finding the workers they need. In addition, concerns are raised regarding the extent to which these difficulties will intensify in various sectors and regions along with population aging.



Many unemployed currently lack the skills to fill vacant positions or are not located in regions where jobs are available



- Mismatch represents imbalances between labour demand and labour supply across regions, sectors, occupations and skills. Since it takes time for workers to retrain or relocate, large and sometimes persistent mismatch between labour demand and supply can delay the process of adjustment from declining to expanding sectors and regions, with corresponding adverse impacts on the Canadian economy.
- It is estimated that about a third of the unemployed, or about 400,000 Canadians, may need to retrain or relocate to be able to fill a vacant position in a high-demand occupation or region.
- The presence of mismatches, along with large and persistent differences in unemployment rates across regions and occupations, suggest that there are potential employment gains to be made by encouraging greater skills development and mobility. Improving the process of matching people with jobs and jobs with people should also help alleviate skills shortages.



Chapter 3

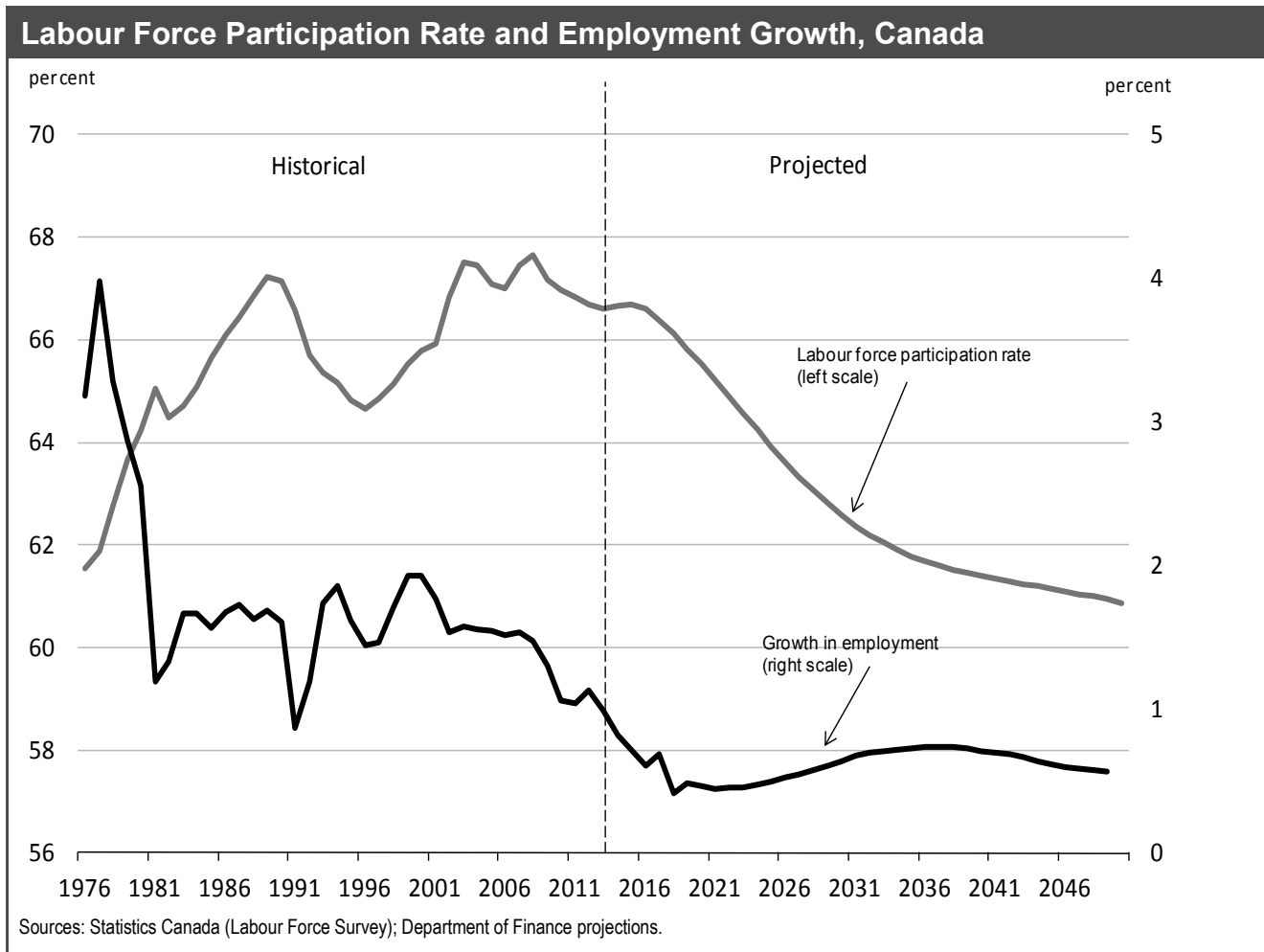
Future Labour Market Trends

Highlights

- ✓ Over the coming decades, Canada's labour market will be shaped by a number of underlying trends. These will include large shifts in population composition, continued globalization and technological advancements raising skills requirements.
- ✓ Population aging represents one of the greatest challenges to the Canadian economy over the medium to longer term. Population aging has started to slow labour force growth and reduce the pool of workers, and may exacerbate skills and labour shortages and the economic impact of mismatches.
- ✓ Canada is increasingly tied to the international marketplace, which has opened up new markets and increased competition for skilled workers.
- ✓ Technology and innovation are also raising skill requirements and driving stronger job growth in high-skilled occupations.
- ✓ Overall, changing demographics, technology and the global economic context are exerting pressure on Canadians to become more skilled, more mobile and more flexible.
- ✓ In this context, ensuring that all Canadians are able to participate in, and effectively adjust to, changes in the labour market will be essential to ensure that all Canadians continue to prosper.
- ✓ Moreover, skills upgrading with an emphasis on education and training will be required for Canada to compete in the global economy and fully realize the benefits of future innovations.
- ✓ Skills development has allowed Canadian workers to move to higher-wage, more productive employment over the past few decades. In the long run, real wage increases can only be sustained by increases in productivity.
- ✓ Improving Canada's productivity performance will become even more important in sustaining wage and income growth in the years ahead as baby boomers retire in increasing numbers.



Population aging will be a key challenge over the coming decades and may exacerbate labour shortages



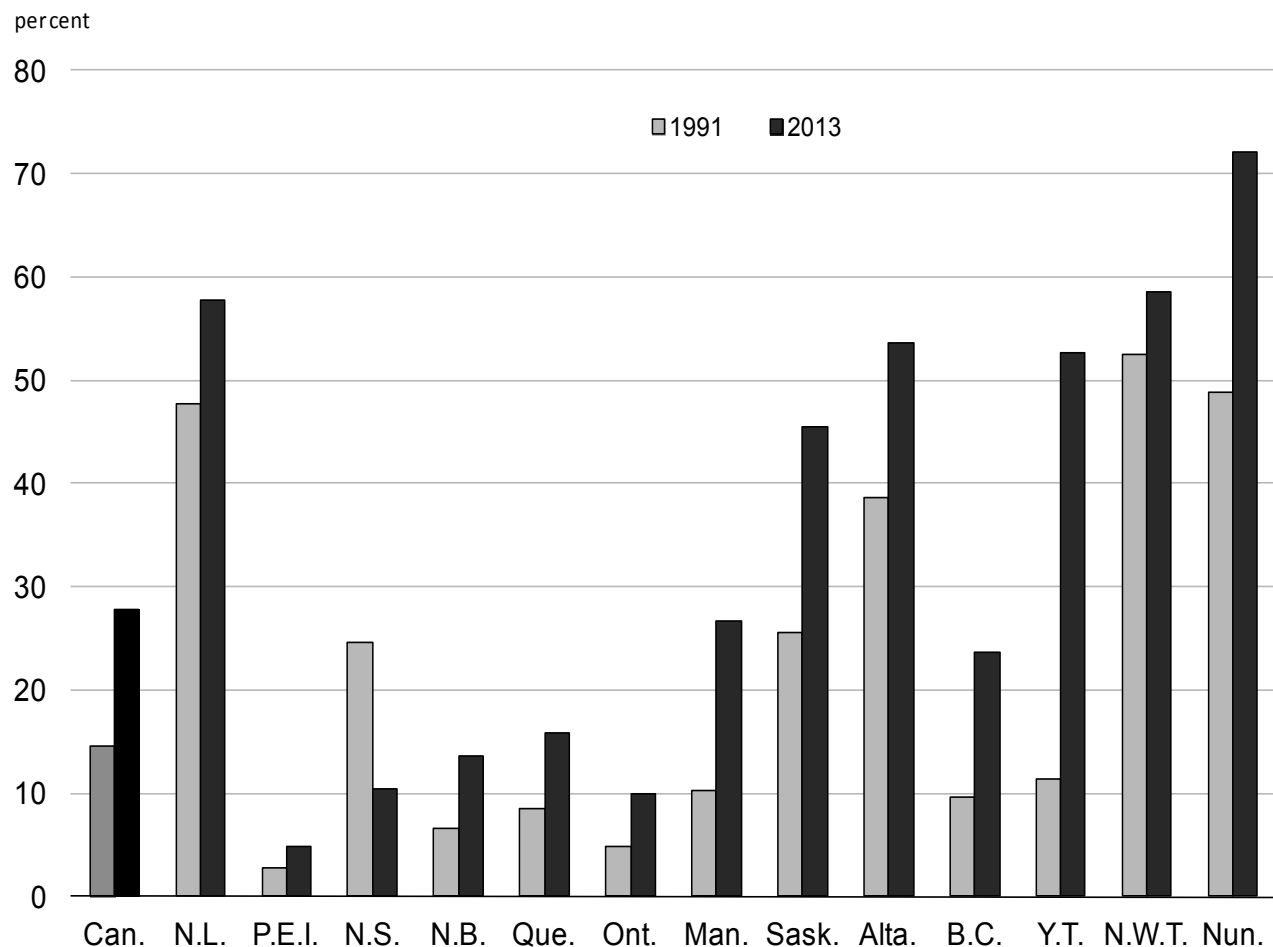
- Over recent decades, strong growth in the demand by businesses for labour has been accompanied by a significant expansion of Canada's labour force and record high labour force participation rates.
- Over the coming decades, population aging will be a key challenge as the share of the population aged 65 and older increases and the share of the working-age population falls.
- The shift toward an older population is expected to weigh on Canada's labour force participation rate, reducing it from 67 per cent, currently, to 61 per cent by 2050. This is expected to dampen growth in the number of people available to work, with projections suggesting a fall in employment growth from about 1 per cent currently to about 0.5 per cent by 2050.
- Unless labour force participation improves, this could contribute to larger skills and labour shortages and increase the economic impact of mismatches.
- Higher labour force participation, particularly of under-represented groups, would help to mitigate the challenge of an aging population, but it would not fully offset its expected negative impact.⁴ Since Canada can no longer rely on sustained labour force growth to drive the expansion of the overall economy, productivity improvements will be crucial in driving economic growth.

⁴ Department of Finance, Economic and Fiscal Implications of Canada's Aging Population, 2012.



Investment and growth in the natural resource sector will continue to provide well-paying employment opportunities for all Canadians

Share of Resource-Related Investment in Provincial and Territorial Business Investment, Canada, 1991 and 2013



Notes: Includes business investment in the following sub-industries: oil and gas extraction, mining, support activities for mining and oil and gas extraction, and utilities (including electricity and natural gas distribution). Data for New Brunswick are for 1997 and 2011, respectively, as some years were suppressed to meet confidentiality requirements. Data for Nunavut are for 2004 and 2013.

Sources: Statistics Canada (capital and repair expenditures, by sector and province); Department of Finance calculations.

- Resource-related investments have become more important as a share of business investment in most provinces and territories; in 2013, resource-related investments accounted for more than half of business investment in Nunavut, the Northwest Territories, the Yukon, Alberta and Newfoundland and Labrador.
- The global need for resources and energy will continue to rise for decades to come and Canada is well positioned to grow as one of the world's major resource suppliers. However, Canada needs effective infrastructure and an adequate supply of skilled labour to fully benefit from the opportunities provided by its substantial natural resources endowment and growing global markets.

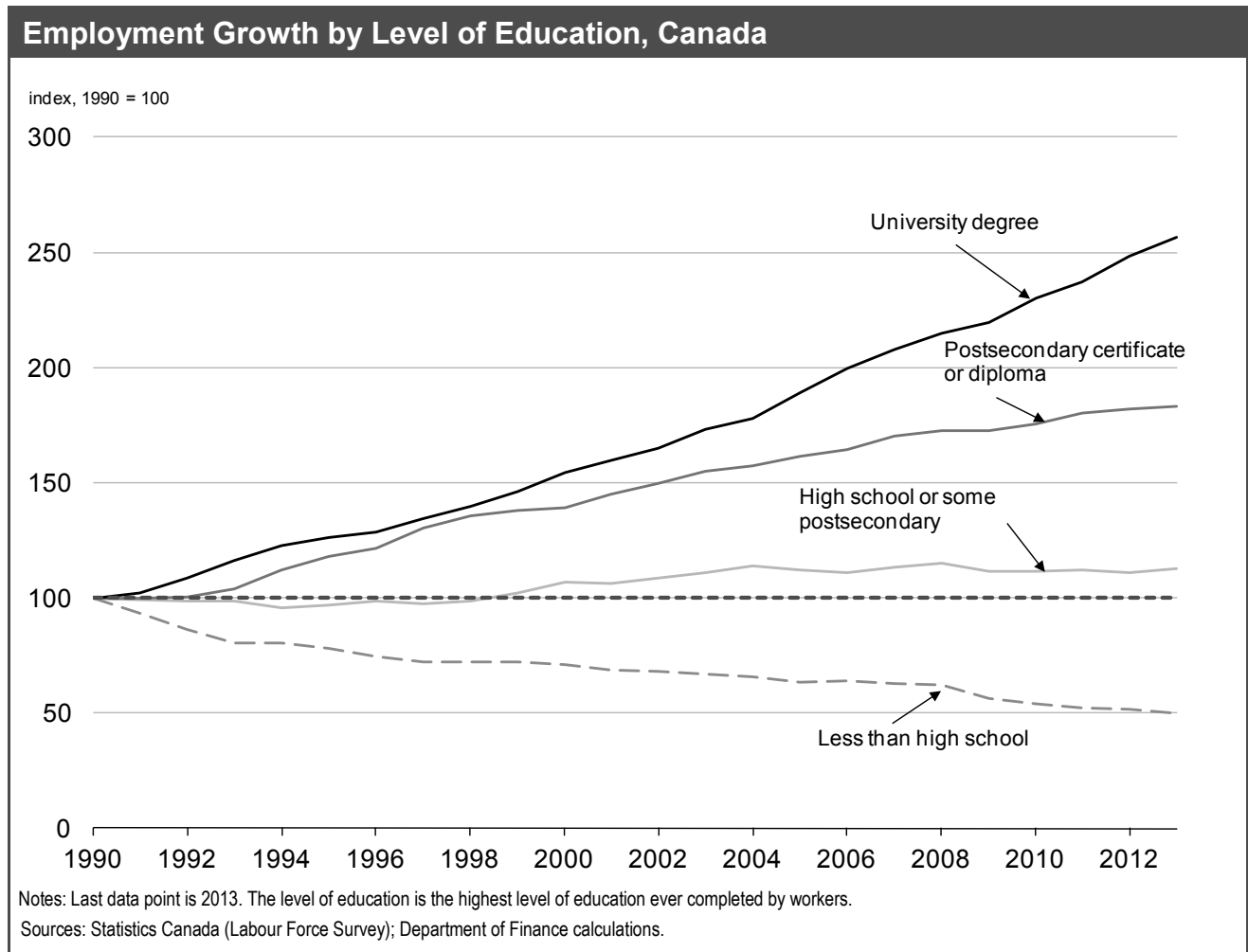


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- The outlook is particularly optimistic for the mining, oil and gas industry, with several resource-related projects underway or planned across Canada. It is estimated that there are hundreds of resource projects currently underway or planned over the next ten years, representing \$650 billion in planned investment across Canada. These new investments, along with expected retirement and attrition, will increase labour demand, with projections suggesting a cumulative demand of 300,000 workers for the energy, mining and forest sectors by 2021.⁵

⁵ Employment and Social Development Canada, Canadian Occupational Projection System.



Ongoing technological change, along with the rising competitive intensity of emerging-markets, will continue to raise the skill requirements of jobs

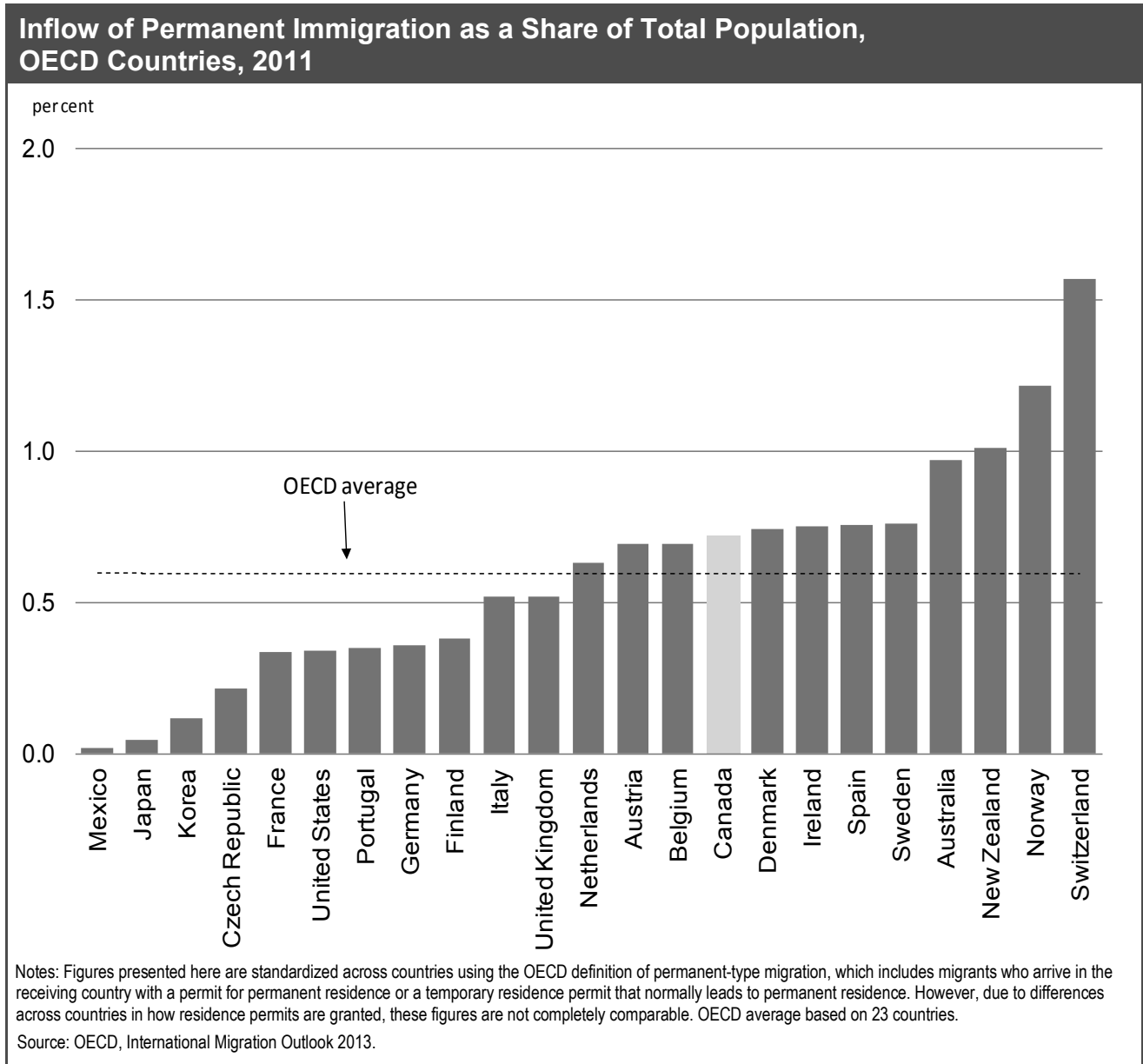


- In past decades, rising educational levels among new labour force entrants have been a key source of growth in skills. Indeed, Canadians are increasingly employed in jobs requiring higher skill levels with correspondingly higher wages.
- Strong demand for highly skilled workers is expected to continue along with ongoing technological change and globalization, which are transforming the workplace and increasing demand for new skills.
- The shift towards high-skilled employment is expected to continue. About two-thirds of the job openings in Canada over the next decade are expected to be in occupations that usually require post-secondary education, or in management occupations.⁶
- Skilled immigrants have been an important part of Canada's labour supply over the past few decades and this trend is expected to continue. Immigrants now account for 22 per cent of the working-age (25 to 64 years old) Canadian population, a share that has been slowly increasing for the past 15 years. Immigrants continue to be over-represented among Canadian university degree holders, accounting for about a third of all university degree holders and 60 per cent of all engineering degree holders.

⁶ Employment and Social Development Canada, Canadian Occupational Projection System.



Skilled immigrants will continue to represent a significant portion of Canada's strong skills base



- International migration of workers has increased strongly since 1990, driven by greater trade openness and solid labour demand in OECD countries.
- Canada has the highest immigration rate in the G-7 and one of the highest in advanced economies.
- Over the past decade, recent immigrants accounted for about 30 per cent of all new entrants to the labour market in Canada (with the remaining 70 per cent composed of young Canadian-born participants, most of them recent graduates).



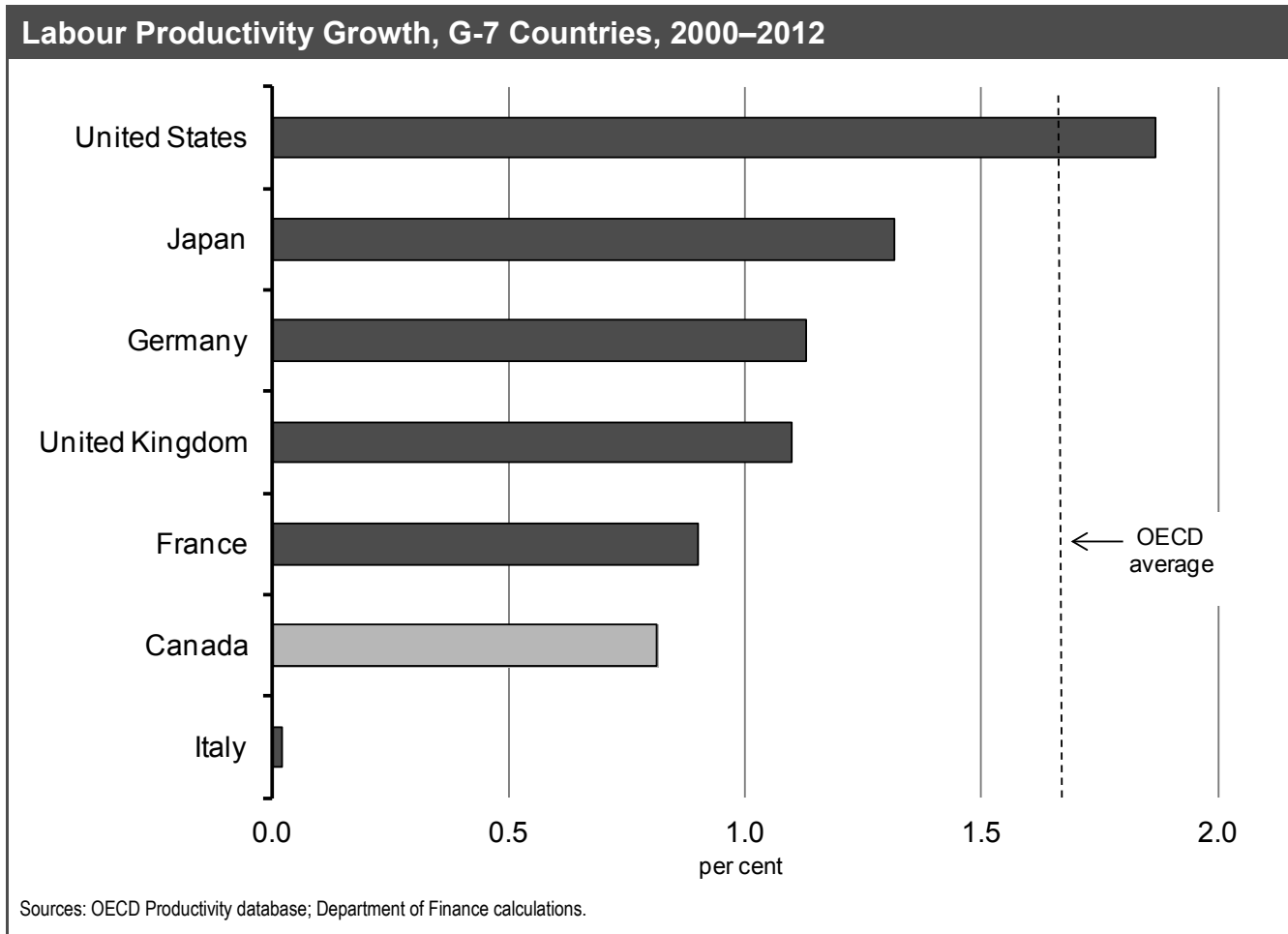
Skills development has allowed Canadian workers to move to higher-wage jobs



- Canadians are increasingly employed in more capital-intensive, high-skilled jobs with correspondingly higher wages. This ongoing shift in employment from lower-skill, lower-wage sectors to higher-skill, higher-wage sectors is a key condition for economy-wide productivity growth.
- Over the past few decades, real wages have increased along with improvements in labour productivity. In the long run, real wage increases can only be sustained by increases in labour productivity.



Productivity will be crucial to maintaining future income growth



- Canadians have enjoyed the best performance in income growth and living standards in the G-7 since 2000, compared to the worst performance in the 1990s.
- Over the past decade, higher employment has been the main driver of Canada's income growth. Canada's terms of trade—the price of our exports relative to our imports—have also improved sharply over the past decade, along with the rapid rise in commodity prices.
- Canada's productivity has stalled over the past decade and continues to lag that of its G-7 peers, particularly the U.S. For example, between 2000 and 2012, Canada's productivity growth (0.8 per cent) was less than half the rate in the United States (1.9 per cent) and the OECD average (1.7 per cent). This is not a new phenomenon, as productivity in Canada lagged that of most peer countries in the 1990s.
- The ongoing aging of the Canadian population will lead to an inevitable fall in the employment rate in the long run, meaning the positive impact of employment growth on incomes will wane in coming years. And while the continued development of emerging economies may keep upward pressure on commodity prices, Canada should not count on future gains in commodity prices to drive growth.
- As a result, improving productivity will become even more important in sustaining income growth in the years ahead.



Chapter 4

Setting the Right Conditions for a Dynamic Labour Market and the Creation of High-Quality Jobs

Highlights

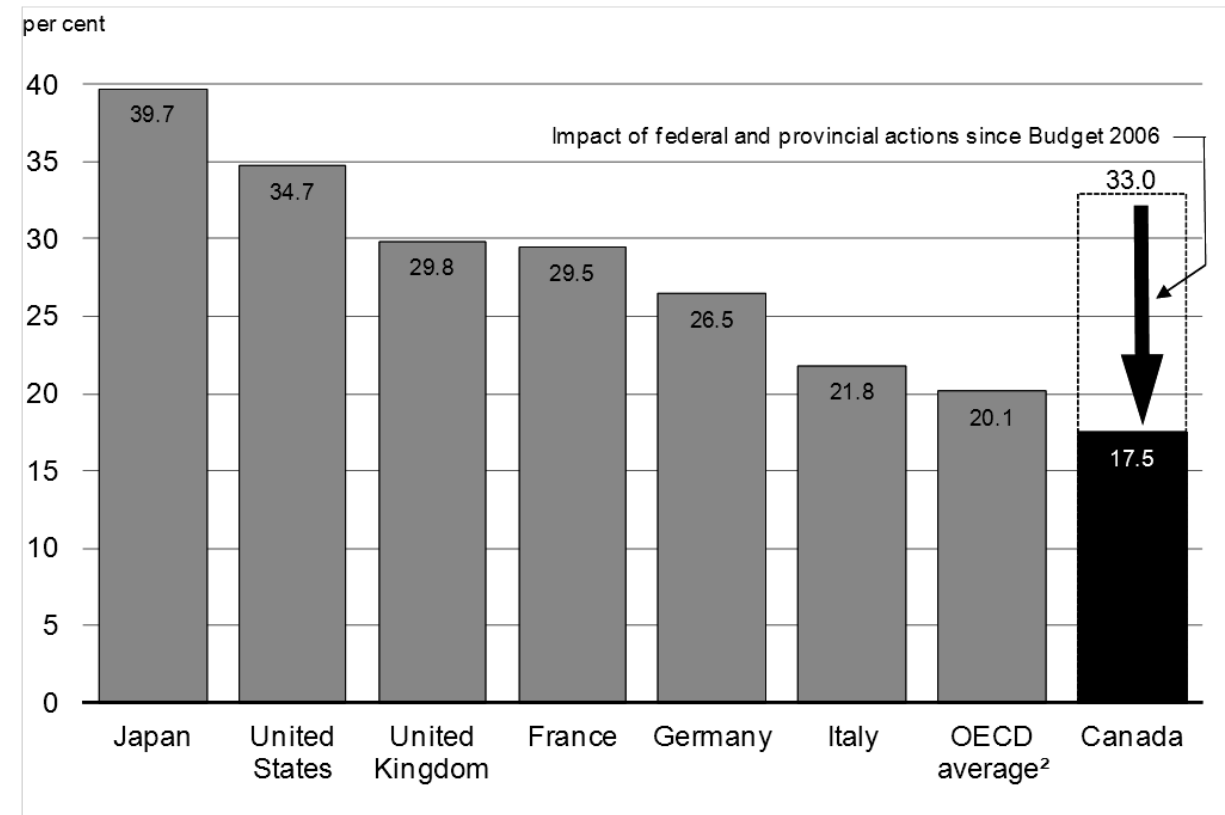
- ✓ As in other advanced economies, the labour market in Canada is changing rapidly due to globalization, ongoing technological change and changing demographics. In this environment, it is critical that the labour market is able to quickly adapt and respond to emerging challenges, including potential labour and skills shortages.
- ✓ All orders of government, private firms, educational institutions, professionals and labour organizations, non-profit agencies and individual Canadians play important roles and must work together effectively to build a high-performing, dynamic labour market in Canada.
- ✓ The Government contributes to achieving this goal by creating an environment that fosters new investment, strong, sustainable growth, and job creation.
- ✓ To this end, since 2006, the Government has substantially improved Canada's business tax competitiveness; expanded trade and opened up new markets; contributed to modernizing Canada's infrastructure; supported research, innovation and the creation of large-scale venture capital funds; streamlined the review process for major economic projects; improved incentives to save and work; and strengthened Canada's retirement income system.
- ✓ In addition, the Government has put in place concrete measures to directly support the development of a skilled, mobile and inclusive workforce within an efficient labour market. In partnership with other stakeholders, the Government has:
 - Implemented measures to more effectively connect Canadians with available jobs that match their skills, and ensured the Employment Insurance program is fair and supports unemployed Canadians when needed;
 - Transformed labour market programming to better align training and spending with private sector needs;
 - Promoted post-secondary education and skills development and implemented targeted support for apprentices and the employers that hire them;
 - Provided significant support to improve the labour market participation of under-represented groups such as youth, Aboriginal peoples, persons with disabilities, recent immigrants and older workers; and
 - Built a faster and more flexible immigration system to meet the needs of Canada's labour market.
- ✓ Continuing to develop a highly skilled and adaptable workforce that meets the needs of the labour market will require ongoing collaboration that builds partnerships and leverages the expertise of all stakeholders.



The Government has created an environment that encourages new investment, economic growth and ultimately, job creation

Canada leads the G-7 with the lowest overall tax rate on new business investment

Marginal Effective Tax Rate¹ on New Business Investment, 2014



¹ The marginal effective tax rate (METR) on new business investment takes into account federal, provincial and territorial statutory corporate income tax rates, deductions and credits available in the corporate tax system and other taxes paid by corporations, including capital taxes and retail sales taxes on business inputs. The methodology for calculating METRs is described in the 2005 edition of Tax Expenditures and Evaluations (Department of Finance). The METR includes measures announced as of January 1, 2014. It excludes the resource and financial sectors and tax provisions related to research and development.

² OECD (Organisation for Economic Co-operation and Development) average excludes Canada.

Source: Department of Finance.

- Working with the provinces, the territories and the private sector, the Government has an important role to play in establishing an environment conducive to new investment, economic growth and job creation.
- Since 2006, the Government has put in place growth-enhancing policies that provide incentives to work, save and invest in Canada and support business investment and growth. In particular, the Government has:
 - Implemented tax reductions that have delivered more than \$60 billion of tax relief to job-creating businesses from 2008–09 through 2013-14;
 - Created a tariff-free zone for manufacturers and provided tax relief for new investments in machinery and equipment through the temporary accelerated capital cost allowance for the manufacturing sector;



- Reached an agreement in principle on a comprehensive trade agreement with the European Union, which will open up new markets for Canadian businesses;
 - Provided additional resources to support basic research and introduced a new approach to supporting innovation that focuses resources on business-led initiatives that better meet private sector needs;
 - Taken steps to improve access to venture capital and increase private sector investment in early-stage risk capital by supporting the creation of large-scale venture capital funds led by the private sector;
 - Provided, through the Building Canada plan and its renewal, major support for infrastructure investments in areas such as highways, roads, bridges, public transit, post-secondary institutions and community infrastructure;
 - Reduced unnecessary red tape so that businesses are not impeded by outdated and duplicative regulatory requirements;
 - Improved incentives to save and work through initiatives such as the Tax-Free Savings Account, the Working Income Tax Benefit and the development of the Pooled Registered Pension Plan framework; and
 - Strengthened Canada’s retirement income system while providing more flexibility to older Canadians who wish to defer retirement.
- The Government has also taken important actions to more directly support the development of a skilled, mobile and inclusive workforce within an efficient labour market. Below are more details on key initiatives specifically related to the labour market.



The Government has implemented major initiatives to better connect Canadians with available jobs that match their skills

The Government has:

- Made important investments to provide timely and thorough labour market information on available job opportunities
- Taken steps to ensure unemployed Canadians are aware of available jobs
- Ensured the Employment Insurance program is fair and supports unemployed Canadians when needed
- Made changes to the Temporary Foreign Worker Program to require employers to increase recruitment efforts to hire Canadians first
- Supported skills certification for skilled tradespersons

- Effectively matching workers with available jobs is critical to supporting economic growth and fostering an efficient labour market. But even with the appropriate set of skills and qualifications, it may take time for job seekers to connect with employers.
- Timely and thorough labour market information facilitates job search efforts by allowing Canadians to know what job opportunities are available, which skills are needed to fill them and where these jobs are located. An efficient and responsive Employment Insurance (EI) system, along with a proactive approach to employment services and skills certification, further improves the matching process between job seekers and employers.
- Economic Action Plan 2012 provided \$21 million over two years to enhance the content and timeliness of the job and labour market information provided to Canadians who are searching for employment. Federal initiatives such as the Working in Canada and Job Bank websites provide job seekers, workers and those who are new to the labour market with information related to postings, labour market conditions, and wages and salaries, among others. Economic Action Plan 2014 proposes to build on those initiatives by modernizing the Job Bank and launching an enhanced Job Matching Service. The Government also works with its provincial and territorial counterparts through the Forum of Labour Market Ministers to find innovative and practical strategies to enhance labour market information.
- The Government has taken important steps to help unemployed people stay connected with available jobs that match their skills in their local areas and provide them with additional support to find work. In particular, it has introduced changes to the EI program to quickly alert unemployed Canadians to job opportunities through daily job postings and to clarify what is required of EI claimants while they look for work. It has also launched a new, national EI pilot project to ensure that EI claimants always benefit from accepting work while receiving EI benefits. These changes will make the EI program more fair, efficient and responsive to regional economic conditions.
- The Government also made changes to: reform the Temporary Foreign Worker Program to ensure that Canadians have first access to Canadian jobs; authorize the Government to refuse to process, suspend and revoke Labour Market Opinions if the program is being misused; and require employers to pay temporary foreign workers the prevailing wage. Economic Action Plan 2014 further strengthens the Labour Market Opinion process by introducing measures that include limiting the use of the program in high-unemployment regions and ensuring that employers transition to a Canadian workforce through better prevention, detection and response to employer non-compliance.



- To leverage the knowledge of employers, in 2012 the Government launched the Sectoral Initiatives Program. This program supports partnership-based projects that develop employer-driven labour market information, national occupational standards, and certification and accreditation regimes, in order to address skills shortages in key sectors of Canada's economy.
- To foster mobility across provinces and more rapidly connect skilled trade workers with available jobs in high-demand regions, the Government is working with provinces and territories through the Red Seal program to harmonize requirements for apprentices and examine the use of practical hands-on tests as a method of assessment in targeted skilled trades.



The Government is taking action to ensure that Canadians obtain job-relevant skills aligned with private sector needs

The Government has:

- Announced that it will transform Labour Market Agreements and implement the Canada Job Grant to better align training and spending with private sector needs
- Announced that Labour Market Agreements for Persons with Disabilities are being realigned to improve employment opportunities for persons with disabilities

- Skills are fundamental to securing employment, but sometimes they are not sufficient. Central to a well-functioning Canadian labour market is an effective skills development system that is aligned with the skills employers need and the jobs that are actually available.
- Timely and thorough labour market information also plays a key role by helping Canadians, particularly youth, make informed decisions when investing in their skills.
- The private sector is the main source of new jobs in Canada's labour market and a key source of information regarding the skill sets needed to fill available jobs. Consulting with employers on the design of labour market programming will increase program effectiveness and improve outcomes for Canadians. Bringing together governments, employers, educational institutions, individual Canadians and other stakeholders to share ideas, concerns and perspectives about the labour market and the education system will also encourage the creation of job-relevant skills.
- The increased awareness of the value of directly considering the needs of employers is most clearly seen in the shift in the design of the federal labour market transfers announced in Economic Action Plan 2013. These represent investments of \$2.7 billion annually.
- The Government is continuing to work closely with provinces and territories toward the implementation of the Canada Job Grant and the renewal of the Labour Market Agreements. The Canada Job Grant will ensure that training is better aligned with job opportunities, particularly in sectors facing skills mismatches and labour shortages. The Canada Job Grant will also ensure that employers and workers participate meaningfully as partners in the skills training system, with the employers sharing the associated costs. Businesses with a plan to train willing Canadians for a new or better job will be eligible to apply for the Grant, which will support Canadians in accessing training delivered by an eligible third-party trainer.
- Labour Market Development Agreements will also be renegotiated to ensure that skills training funds are being used to help Canadians obtain the qualifications they need to obtain jobs in high-demand fields.
- Finally, Labour Market Agreements for Persons with Disabilities are also being realigned to improve employment opportunities for persons with disabilities while better meeting the employment needs of Canadian businesses.



The Government is promoting knowledge and skills acquisition through investment in post-secondary education and apprenticeship training

The Government has:

- Promoted knowledge and skills in Canada's post-secondary education system through significant investments in institutions, research, and financial support for students
- Strengthened linkages between universities, colleges and the private sector
- Promoted education in high-demand fields, including the skilled trades, science, technology, engineering and mathematics
- Implemented targeted support for apprentices and the employers that hire them
- Supported the reduction of barriers to accreditation in the skilled trades, and it will promote the use of apprentices in federal construction and maintenance contracts, the Investment in Affordable Housing and the Building Canada plan

- Promoting the pursuit of education beyond high school allows the Canadian economy and Canadians to remain competitive and to keep up with rapid technological change. Providing young Canadians with access to the information and opportunities necessary to make informed training and employment choices promotes the development of a workforce equipped with the skills necessary to prosper in Canada's labour market. Strong linkages between the federal and provincial governments, educational institutions and the private sector ensure that education resources are used to their best advantage and develop the adaptive capacity of the education system.
- The Government plays an important role in supporting Canada's post-secondary education system, investing over \$10 billion annually in institutions, research, and financial support for students and their families. Provinces and territories also contribute substantial resources to the post-secondary education system.
- Federal support through the Canada Social Transfer is on a long-term sustainable and predictable growth path and has increased by almost 50 per cent since 2005–06. Federal support has also strengthened linkages between universities, colleges and the private sector, and created new and expanded student financial assistance mechanisms and modernized existing ones. Economic Action Plan 2014 proposes to eliminate the value of student-owned vehicles from the Canada Student Loans Program assessment process to better reflect the needs of students who commute or work while studying.
- Economic Action Plan 2013 reallocated \$19 million over two years to provide more information on the job prospects and benefits of working in various occupations, and to develop new outreach efforts to promote careers in high-demand fields such as science, technology, engineering, mathematics and the skilled trades. Economic Action Plan 2014 also proposes to support the development of business skills by providing additional resources for the Canada Accelerator and Incubator Program to help entrepreneurs create new companies and realize the potential of their ideas through intensive mentoring and other resources to develop their business.



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- Since 2006, the Government has taken concrete actions to support apprentices and increase the supply of skilled trade workers. For example, it introduced the Apprenticeship Incentive and Completion Grants to encourage the pursuit and completion of apprenticeship training and greater certification in designated Red Seal trades. The Apprenticeship Job Creation Tax Credit provides support to employers of eligible apprentices in the first two years of an apprenticeship program. Apprentices may also benefit from personal income tax relief through the Deduction for Tradespeople's Tool Expenses and the Tuition Tax Credit in respect of trade and occupational examination fees. Economic Action Plan 2014 proposes to create the Canada Apprentice Loan and to introduce the Flexibility and Innovation in Apprenticeship Technical Training pilot project.
 - Improvements made to the Red Seal program also encourage more apprentices to complete their training by providing clear information on an individual's skills and on acceptable standards. Economic Action Plan 2013 reallocated \$4 million over three years to harmonize apprenticeship requirements across jurisdictions and reduce barriers to the accreditation of apprentices. Moreover, the use of apprentices will be supported in federal construction and maintenance contracts, the Investment in Affordable Housing and the Building Canada plan.



The Government is making significant investments to support the participation of under-represented groups in the labour market

The Government has:

- Made significant investments in programming for youth through the Youth Employment Strategy and Pathways to Education Canada programs
- Invested in skills programming for Aboriginal peoples in partnership with the private sector, provinces and territories, and supported on-reserve primary and secondary education
- Moved towards demand-driven training solutions for persons with disabilities and supported the hiring and retention of persons with disabilities
- Provided job-related support for newcomers to Canada
- Supported the employment of older workers through the Targeted Initiative for Older Workers program and the ThirdQuarter project
- Provided more flexibility to older Canadians who wish to defer retirement

- Canada's long-term prosperity depends on the labour market participation of all its citizens, including those currently under-represented in the labour market such as Aboriginal peoples, persons with disabilities, recent immigrants and older Canadians. Of particular concern are youth at risk of not being able to compete in today's labour market. Ensuring that young Canadians realize their full potential by helping them get the skills and experience they need to get quality jobs helps to meet the needs of the labour market now and in the future.
- The development of a better utilized and more inclusive workforce requires a joint effort on the part of governments, businesses, educational institutions, individuals and other stakeholders.
- Since 2006, the Government has introduced important measures in this area that complement provincial and territorial programming. A new labour market training architecture was introduced in Budget 2007, making available \$3 billion over six years to provinces and territories to design and deliver programming that supports labour market participation of groups that are under-represented in Canada's labour force, as well as under-employed Canadians.
- The Government invests over \$330 million annually in programming for youth through the Youth Employment Strategy. This strategy provides skills development and work experience for youth at risk, summer students and recent post-secondary graduates. For instance, the Career Focus program provides funding for employers and organizations to provide career-related work experience to post-secondary graduates, easing the transition from school to the labour market. The Government also helps youth in low-income communities complete their secondary studies through the Pathways to Education Canada program. As announced in Economic Action Plan 2014, federal investments in youth employment will be targeted to provide youth with valuable work experience in high-demand fields.
- In partnership with the private sector, the provinces and territories and Aboriginal groups, the Government invests \$400 million annually in skills programming targeted at Aboriginal peoples to ensure they are equipped to work in expanding sectors of the labour market. This builds on the over \$1.5 billion invested annually to support on-reserve primary and secondary education. Economic Action Plan 2014 confirms significant new investments to support the implementation of a *First Nations Control of First Nations Education Act*, which will reform the on-reserve education system, in partnership with First Nations, to achieve better outcomes for First Nations students.



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- To support access to labour market opportunities for persons with disabilities, the Government is reforming the Opportunities Fund for Persons with Disabilities to provide more demand-driven training solutions. In addition, to facilitate education and training, as well as the sharing of resources and best practices concerning the hiring and retention of persons with disabilities, the Government is supporting the creation of an employer forum, which will be managed by employers, for employers. Further, in Economic Action Plan 2014, the Government is investing in the Ready, Willing & Able initiative of the Canadian Association for Community Living, as well as in the creation of vocational training programs for persons with Autism Spectrum Disorders.
 - Investments have also been made to enhance settlement and integration programs for newcomers to Canada through language instruction and employment-related support.
 - The Government is supporting the employment of older Canadians who wish to remain in the workforce through the Targeted Initiative for Older Workers program, renewed and expanded in Economic Action Plan 2014, and the Third Quarter Project. In addition to employment support and skills development opportunities, the Government has provided more flexibility to older Canadians who wish to defer retirement, for example by increasing the amount of income that can be earned before the Guaranteed Income Supplement is reduced, allowing the voluntary deferral of the Old Age Security pension, increasing the age limit for converting savings in Registered Pension Plans and Registered Retirement Savings Plans into a retirement income vehicle, permitting greater flexibility for phased retirement under the pension tax rules, and prohibiting most federally regulated employers from setting a mandatory retirement age.



The Government made important changes to the immigration system to make it more responsive to labour market needs

The Government has:

- Made important changes to the points system used to select foreign skilled workers to ensure a better matching of skills with labour market needs
- Introduced a new application stream for applicants with Canadian work experience
- Introduced a new program for skilled tradespersons wishing to immigrate to Canada
- Reduced wait times significantly and made the processing of applications more efficient
- Announced the introduction of a system to attract immigrants with high employment prospects and strong language skills
- Strengthened Canada's position as a destination of choice for international students

- An efficient, flexible and responsive immigration system supports a dynamic labour market. However, it is important to attract immigrants who will adapt well to the Canadian labour market.
- In recent years, major economic immigration programs have been transformed or established. In particular, the points system used to select foreign skilled workers was changed, helping to ensure that immigrants selected to come to Canada are better positioned for success in Canada's labour market.
- The Canadian Experience Class was created in 2008 for applicants who already have Canadian work experience and intermediate language skills. This program has been especially effective as a bridge for highly skilled international students with Canadian work experience who want to remain in Canada to attain permanent residency.
- With the introduction of the Federal Skilled Trades Program, skilled tradespersons who want to immigrate to Canada are better able to do so.
- Significant steps have been taken to reduce application wait times and improve processing efficiency under the Foreign Skilled Worker, Temporary Resident and Citizenship programs.
- The anticipated introduction of the Expression of Interest economic immigration system will allow applicants with high employment prospects and strong language skills to apply to immigrate to Canada under selected economic immigration streams. This will change the approach to skilled immigrant selection from a queue with a backlog to a pool of qualified workers that employers and provinces can draw on as necessary.
- In recognition of the fact that international students and researchers bring needed skills and experience to the Canadian workforce, the Government has been working with provincial ministries of immigration and education to strengthen Canada's position as a destination of choice for international students seeking a high-quality education.



Conclusion

Canada's labour market has generally succeeded in meeting recent challenges and performs relatively well in a number of areas, including job creation and post-secondary educational attainment. Canada's economy has outperformed other G-7 countries in job creation in the recovery and over the last seven years. Canada's labour force participation rate is high by international standards and Canada enjoys a fairly mobile population that responds well to economic opportunities.

Nevertheless, there are areas that could be strengthened. In particular, imbalances between unemployment and job vacancies persist in certain regions and occupation groups; a number of groups remain under-represented in the labour market; relatively fewer Canadians graduate in high-demand fields than in competitor countries; and Canada lags its peers in the development of business skills.

Furthermore, there are a number of challenges going forward. Canada, along with other advanced economies, will be affected by the aging of its population, continued globalization and increased skill requirements resulting from continued technological advancements.

Working together with other stakeholders, the Government has a key role to play in ensuring that Canada's labour force is well positioned to meet these future challenges. In this respect, the Government has put in place policies to create an environment conducive to new investment, economic growth and job creation. In addition, the Government has implemented or proposed a number of initiatives to directly support the development of a skilled, mobile and inclusive workforce within an efficient labour market.

The Government will continue working in partnership with the provinces, the territories and the private sector to promote jobs and growth to ensure that Canada is well positioned to face future challenges and that all Canadians have the opportunity to fully participate and share in a prosperous Canada.