



## THE CHANGING CANADIAN WORKPLACE

### EXECUTIVE SUMMARY

The landscape of the Canadian workplace has changed dramatically over the past few decades. Regardless of whether or not we, as a nation, are ready for it, macroeconomic and demographic trends and new workplace standards have changed the definition of a “traditional” career. Employers and workers must face this new paradigm with a different toolset than that which has been used up to this point. This study will investigate these trends and the challenges that they present.

Primary of such trends is the looming retirement of the baby boomer generation. With more than a third of the entire labour force preparing to retire over the next two decades or so, this represents one of the most significant shifts in the workplace seen in the last half century. Employers will be faced with labour force growth that will slow to a crawl and will, thus, need to find new and innovative ways of utilizing Canada’s current labour pool. To that end, immigrants, aboriginals, women, and older workers must be utilized more efficiently as these groups form an extremely large, yet underrepresented portion of the workforce. Unfortunately, each group faces its own unique hurdles: immigrants, for example, face significant difficulties with respect to language and credential recognition, while Aboriginals must deal with achieving higher levels of educational attainment in the face of crippling social and cultural stereotypes. Women have not been able to close the earnings gap relative to men or penetrate the top corporate ranks within the organizational structure, while older workers are finding it difficult to secure the work arrangements that help them transition into retirement.

In addition, higher education is an absolute necessity to fill the skill needs of future jobs, but access barriers to post-secondary institutions continue to prevent young Canadians in the lower-income brackets from pursuing it. Education has already come to define the great dividing line between those with wealth and affluence in society from those without and programs designed at alleviating these access barriers are mostly being utilized by wealthier

families. Also, they are unable to distinguish those who face legitimate financial difficulties from those who do not.

Over the past quarter century, the gap between the rich and poor has been growing steadily whereby real before-tax earnings have only been growing for the wealthiest Canadians, while those of the middle-income and lower-income brackets have either stayed stagnant or have outright declined. This has resulted in working-aged adults becoming the biggest at-risk population of falling into poverty. Transfer programs such as Old Age Security and the Canada Child Tax Benefit have been fairly effective at combating poverty among seniors and children, but the two programs designed to help working-aged adults through transitions in employment, the employment insurance (EI) program and the provincial income assistance programs, are fret with problems. The EI program has very high eligibility requirements and, as a result, a low coverage rate relative to those who are unemployed, while the income assistance programs create significant disincentives to pursue paid employment. The disincentives can be so great that the gain in employment income may be outweighed by the loss of benefits such as subsidized housing and medical care.

Lastly, the nature of employment in Canada today is significantly different from that of the past. Traditional industries like manufacturing are giving way to services-based sectors, and full-time, well-paid jobs with benefits and a pension are being replaced by temporary and contract jobs with no benefits. Employer pension plan coverage is declining rapidly and so the burden of saving for retirement has fallen increasingly on the individual. Simultaneously, many Canadians are not saving for themselves and this is threatening the income security of future generations of retirees.

These are the major issues surrounding the Canadian workplace today. Employers must come to terms with this new paradigm as ignoring the trends now could lead to significant consequences in the near future. Though we will unlikely face the labour shortage that many are predicting, there will be costs in adjusting to this paradigm. If faced



with heavy competition for a limited supply of labour, for example, employers can push up wages or improve the productivity of the productivity of the existing workforce by providing on-the-job training., investing in more capital,

or by making better use of the underutilized portion of the potential workforce. So the challenge is not how to deal with an oncoming labour shortage, but how to minimize the costs related to this kind of adjustment.

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## HIGHLIGHTS

- **Macroeconomic trends, demographic shifts, and changing workplace standards have changed the landscape of the Canadian workplace**
- **The upcoming retirement of the baby boomer generation will slow labour force growth for decades to come**
- **Many groups, such as aboriginals, immigrants, women, and older workers are currently underrepresented across both industries and roles but will comprise an increasingly larger portion of the skilled labour force**
- **Employers will need to put incentives in place to more efficiently utilize these groups**
- **Post-secondary education has become a prerequisite for gainful employment and access must be improved in order to meet the future demand for highly-skilled labour**
- **Widening income gaps have put working-aged adults at-risk of falling into poverty; income security programs have room for improvement**
- **The increased usage of temporary and contract workers have left many without an employer-sponsored pension plan and it is uncertain whether our current retirement income system can support future retirees**

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### Introduction

The Canadian workplace has been undergoing a seismic shift in recent decades. Just a quarter century ago, the labour force was bulging at the seams with the aging baby boomer population and the increasing prevalence of working-age women. Computers were still in their infancy and widespread use was almost unthinkable given their astronomical costs. Just a quarter century ago, a high school degree was enough to net an individual a well-paid, full-time job with good benefits and a pension plan.

Fast forward to today, and technology is no longer an option, it is a necessity. The baby boomers have begun to reach retirement age which will likely pose huge barriers to future labour force growth for decades to come. A post-secondary degree is now a prerequisite for employment as the need for technical skills and specialized knowledge rises alongside innovative work practices; yet, barriers in the way of access prevent those in the lower income brackets from pursuing higher education. Within a quarter century, many of the well-paid, full-time jobs with good benefits and pension have been replaced by temporary or contract jobs with no benefits coverage. Private employer-sponsored pensions are now disappearing, leaving many Canadians more on their own for retirement. Today, traditional job creating machines, like manufacturing, are giving way to service-based industries, and the country is more dependent on immigrants, aboriginals, women and older workers as a source of new labour. Yet, these groups remain significantly underrepresented across industries and roles.

In this report, we take a closer look at the wide scope of these workplace shifts and the challenges they pose. We also discuss some of the key actions necessary that would assist both employers and workers in coping with these challenges to ensure that the transition to this new workplace paradigm is as smooth as possible.

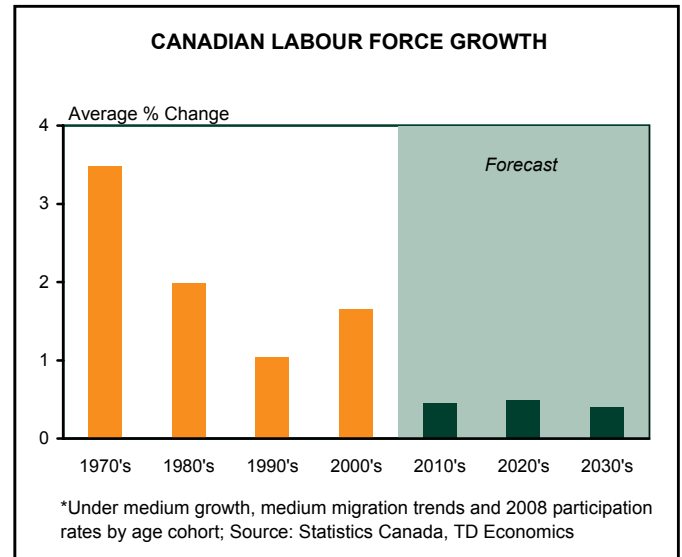
### Macroeconomic Trends

A consensus has been building for some time among labour market observers that Canada is set for a significant labour shortage within the next two decades. Indeed, evidence supports this belief on account of the majority of the baby boomer generation preparing to retire from the workforce in the coming years. That generation, born between the years 1945 and 1960, accounts for more than 38% of the current workforce and the oldest of them will have turned 64 this year, well past the median retirement age which sat below 62 in 2006.

In addition, low fertility rates, particularly in the 1990's, mean that there are not enough people in the younger generations to fill that gap. In fact, this has already begun and labour force growth has been bolstered by a higher participation rate among women and older workers, and higher immigration levels. Is this going to be enough to compensate for the more than seven million baby boomers that are set to retire in the next two decades? The evidence is very unfavourable. The gap between the participation rates of working-age men and women (ages 15-64)

has narrowed from 33.2 percentage points in 1976 to just 8.3 percentage points in 2008, while immigration levels are federally regulated and do not rise very rapidly, year-to-year. To some degree, the retention of older workers will offset some of the decline, but this simply postpones the problem rather than addressing it directly. Some cite immigration as the epidural for Canada's labour pains, but the C.D. Howe Institute recently released a report<sup>1</sup> asserting that immigration rates would have to be an unreasonable 2.5 times their current levels to support labour force growth inline with historical averages. And even if this were possible, the difficulties associated with the economic integration of such a massive inflow of workers would likely leave a host of other problems. But since this is highly unlikely, the outlook points to a dramatic slowdown in the labour market, particularly over the next two decades.

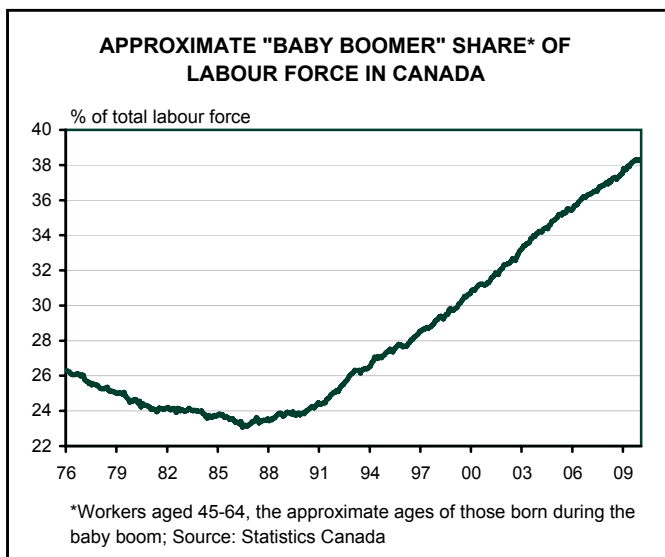
However, this should not occur. A slowdown in labour force growth does not imply a labour shortage because market forces will act to readjust supply-demand conditions. If faced with a slowdown in labour force growth, competing employers will push up wages which should attract more people to join the workforce, or they will substitute for labour by investing in capital to increase the productivity of the existing workers. In addition, we could better utilize underrepresented pools of labour such as immigrants and aboriginals, retain more of our older workers, increase immigration levels, or utilize offshore labour from countries with a more bountiful labour supply. It is well documented that regardless of the fact that the participation rate of women is converging to that of men, they are still significantly underrepresented in many industries and many roles, specifically management and senior management positions.



This is also true among immigrants and aboriginals as their overall labour force participation rates are below average; this must change if we are to be efficiently utilizing our entire labour pool. If it is the case that all of these options fail to materialize, then economic growth in Canada will indeed be depressed. The natural retrenchment discussed above will go some ways in ensuring that the future is not as dire as some forecasters claim, but there is considerable room for policy to step in and ease this transition.

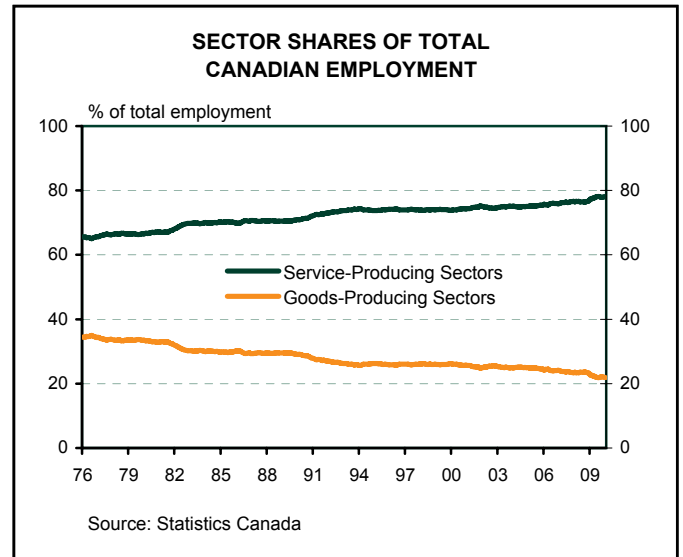
A related problem Canada faces with respect to overall economic growth is the anemic productivity growth that has plagued the last three decades. In tandem with labour force growth, the two comprise the main components of an economy's growth potential. Unfortunately, productivity growth has been embarrassingly weak in the current decade, averaging a measly 1% annually. And when combined with labour force growth of well less than 1% over the next few decades, Canada's growth potential is indeed weak. Among the OECD member nations, only two of thirty underperformed Canada in terms of productivity growth since 1980. Canada's productivity level fell from 3rd among the original twenty member countries in 1960 down to 17th among the current thirty members; and it has been estimated that Canada's business sector productivity level is just 73.6%<sup>2</sup> that of the U.S. This is very alarming as it not only implies that our international competitiveness is relatively declining, but also our standard of living. As it has long been documented that a nation's productivity growth is directly correlated with its resident population's standard of living, this productivity dilemma is one of Canada's most important and longstanding economic issues.

Low productivity growth, however, is a very difficult



patient to treat. Much has been done in the past few decades, and yet the problem stubbornly persists. Granted, there are still some things yet to be tackled: PST's levied onto machinery and equipment purchases that inhibit the diffusion of industry best practices, heavily regulated industries and market segmentation that reduce the incentives to innovate and invest in R&D, and the inefficiencies of having multiple securities regulators are but a few examples. Likely the most calamitous example is the inefficiency of the Canadian labour market: heavy restrictions on interprovincial labour mobility, employment insurance and welfare programs that create disincentives for beneficiaries to work, and a lack of proper training and recognition programs to help integrate new immigrants drastically reduce the nation's ability to efficiently allocate its labour pool.

A third trend which has been occurring in Canada for a number of decades is the shift away from the traditional primary and manufacturing sectors towards services industries. This move, which is not exclusive to Canada but is occurring in many developed nations, has specifically concentrated in high value-added sectors such as professional, scientific, and technical services, health services, or accommodation & food services and is consistent with a shift of production away from industrialized nations towards emerging markets like India and China. Although in recent years, there has been tremendous job creation in these sectors, it is difficult to delineate if this has been a boon to Canada due to the lack of labour market information regarding job quality. To make such a judgment requires both information regarding the salaries, benefits and working conditions of particular sectors and the types of jobs that are being created. Some private sector attempts have been made<sup>3</sup>, but are faced

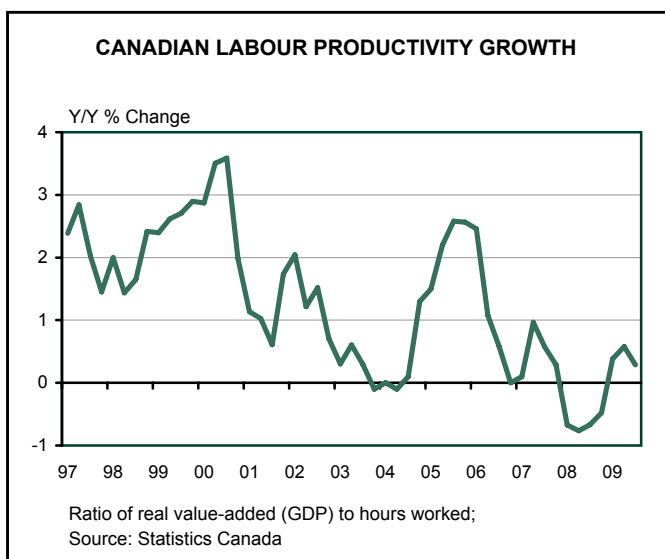


with the same lack of information and are, thus, plagued by the arbitrary nature of their assumptions of what comprise a “good” job. However, one thing is certain: the shift towards services has drastically altered both the kinds of jobs Canadians occupy, as well as the kind of labour Canadian employers require.

### Rising Educational Requirements

Service Canada has estimated that 65% of new jobs created over the next five years will require some form of post-secondary education<sup>4</sup>. This trend is certainly consistent with almost all developed nations in that higher education is becoming increasingly important. As the chart on the following page shows, the job gains recorded over the last two decades in Canada have almost all gone towards people with either a college or university degree, while those with a high school degree or less are being essentially left behind. Of course, this is not surprising. Given that post-secondary education is becoming increasingly commonplace, both domestically and internationally, employers will tend to seek those with the most skills and will look to other countries for recruitment should the existing pool of skilled workers be lacking. Canadians are now faced with competition from both inside and outside national borders; thus, higher education is an absolute necessity if we are to compete on the international stage. Yet, many Canadians are still out of the loop; according to the latest census data, about half of Canadians do not have any form of post-secondary education.

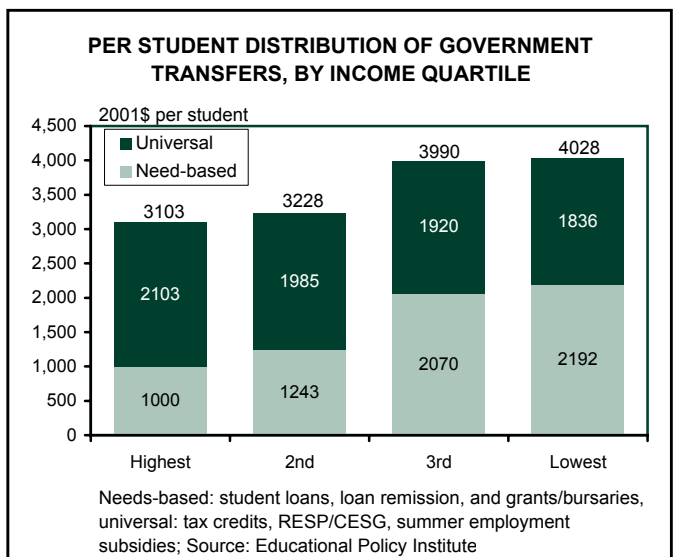
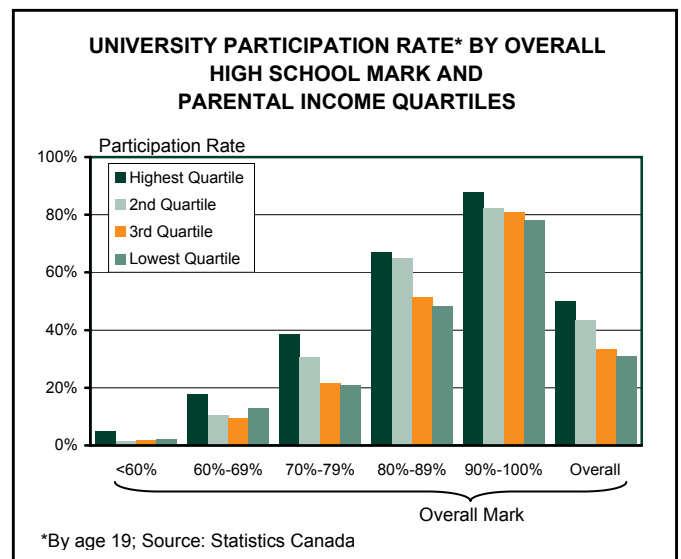
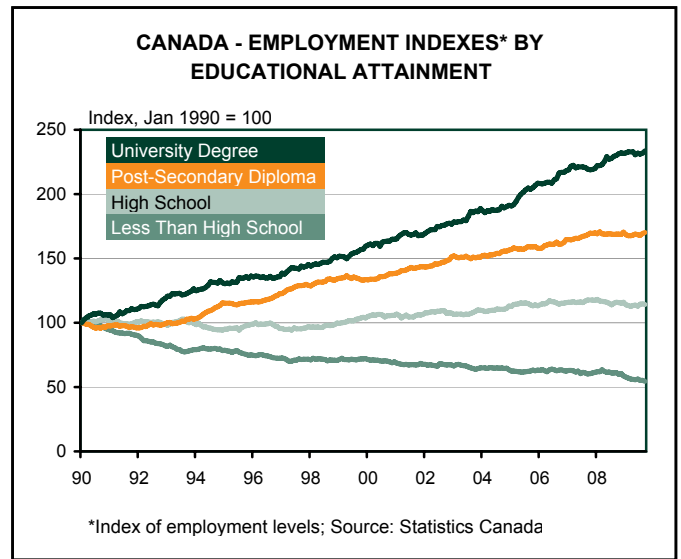
One of the primary obstacles: access. Data collected by Statistics Canada show that overall, university participation rates for those aged 19 vary significantly across the income spectrum, ranging from about 30% to 50%. Even



more striking are the results when these rates are broken down further by high school grade averages. For those in the top grade decile (90%-100%), participation rates are very high regardless of the income quartile in which the student happens to fall in. Yet, for those whose grade averages fall between 80-89%, which should be high enough to gain acceptance into even the most prestigious universities in Canada, participation rates fall disproportionately and drastically more for those in the lower two income quartiles than for those in the higher two income quartiles. This is a clear indication that many students who are very capable of succeeding at the post-secondary level are not pursuing this opportunity, in part, due to financial barriers. Other factors likely contribute to these lower participation rates such as lower educational attainment among parents in the lower income quartiles who may or may not place the same value on post-secondary education relative to wealthier families. But the fact remains that income is very important and that, in addition, the financial burden of a university or college education is increasingly expensive, even in real terms. Tuition costs, after adjusting for inflation, estimated by the Educational Policy Institute have risen by 19.2% over the decade spanning 1997 and 2007 and does not even include rising housing, food, and other myriad costs associated with pursuing a post-secondary degree. Thus, each new generation of students is faced with a larger financial burden that many in the lower income brackets are simply unable to carry.

Federal and provincial programs aimed at alleviating these costs for lower-income families are, unfortunately, very inefficient. The amount of government transfers per student going towards those in the lowest income quartile is only some \$925<sup>5</sup> more than those going to students in the highest income quartile. And most alarming is the fact that, on average, students in the highest income quartile are receiving more universal subsidies, which include tax credits, and other transfers that do not distinguish between economic status, and almost half the funding given based on financial needs, including grants, bursaries, and student loans, those in the lowest income quartile receive. This is clear-cut evidence of two inefficiencies: individuals and families in the lower income quartiles are not taking advantage of universal transfers due either to financial inability or lack of information, and that the transfer system of needs-based subsidies is unable to distinguish those who face legitimate financial barriers from those who do not.

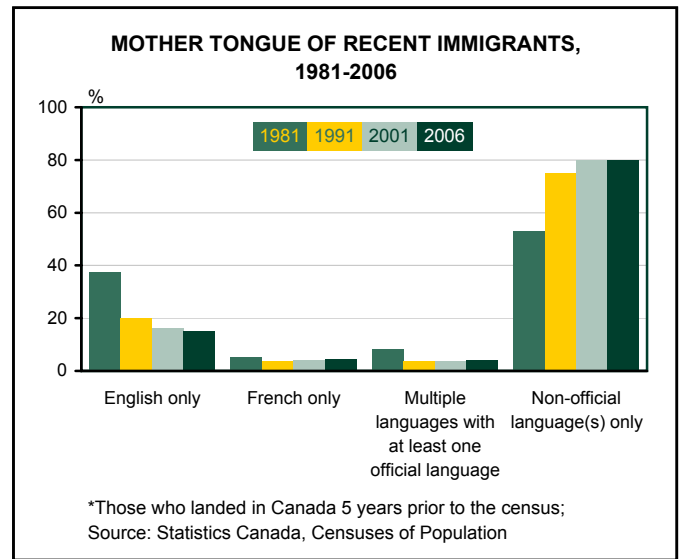
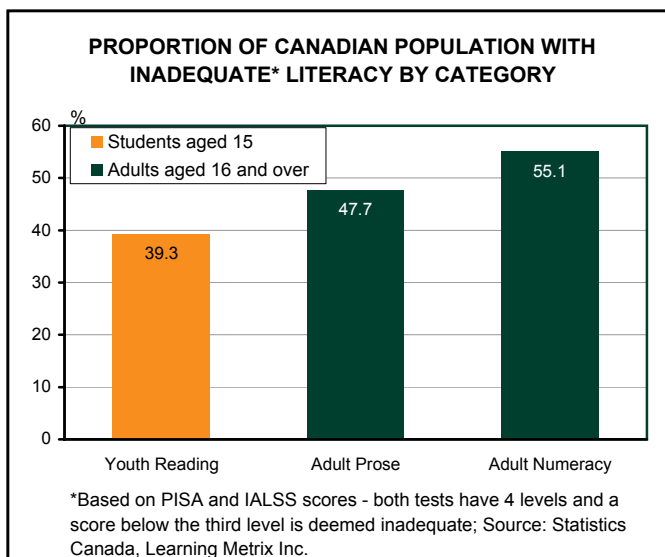
Ultimately, an effective needs-based program is necessary to ensure that all Canadians have equitable access to



higher education as the great dividing line both in society and the economy is, indeed, education. It is already the case that those with post-secondary degrees tend to have higher incomes, more wealth and more affluence, whereas those without are essentially left behind. As time passes, this divide will only be amplified: the discount that is already being applied to those without post-secondary education in the job market will grow, as will the gap between the rich and poor.

This divide itself is very evident in Registered Education Savings Plan (RESP) holdings. According to the 2005 Survey of Financial Assets, Canadian families whose annual income fell above \$75000 annually held 53% of all assets in RESP's. This is not surprising as families in that income bracket would have more to save and, given RESP accounts' tax-exempt status, the incentive to do so. Yet, those households only account for about one-third of all households, according to the census. This is hardly the result that policymakers would have wanted and implies that even with the Canadian Education Savings Grant (CESG) and the Canada Learning Bond (CLB), which are federal bursaries invested into RESP's on behalf of families by the federal government based on income and whether or not a family receives the Canada Child Tax Benefit (CCTB), lower income families are still finding it difficult in saving for their children's educations.

Another major problem facing Canada related to education is the inadequate literacy of many residents. Though not many consider literacy to be an issue given Canada's advanced public education system and inclusive societal disposition, it is in fact quite a widespread problem: almost 4 in 10 youths aged 15 have insufficient reading skills, while more than 2 in 10 university graduates, almost half of adults,



and 6 in 10 immigrants have do not have the desired level of English or French literacy skills<sup>6</sup>.

The traditional view that literacy is simply the ability to read and write completely disregards both how critical the ability to understand and adapt to the written and numerical nuances of a given language is and its relationship to success in the workplace. Many Canadians are facing difficulties in acclimatizing to the workplace for this very reason and this has very detrimental effects on incomes, productivity, educational attainment, and overall economic well-being.

This problem is particularly dire for new immigrants. Data show that there is a startling divergence between the earnings and labour market outcomes between recent immigrants and their Canadian-born counterparts and that literacy plays a significant role. And given that immigrants have been becoming increasingly important to our economy due to their comprisal of a large portion of Canada's skilled labour pool, the economic prosperity of the nation is, thus, directly linked to theirs.

Data from Statistics Canada show that in 2006, 4 in 5 recent immigrants have a mother tongue that is neither English nor French and that their literacy skills in those languages are significantly below those of Canadian-born citizens. In addition, language related problems have been consistently cited amongst newcomers as a dominant hurdle that they face with regards to integration into the Canadian workplace. An important finding in Statistics Canada's 2005 Longitudinal Survey of Immigrants is that the top two problems faced by new immigrants are finding an adequate job and learning a new language. Surely, difficulties in finding gainful employment are exacerbated by any language barriers one might face, which is evident in both the 6.6

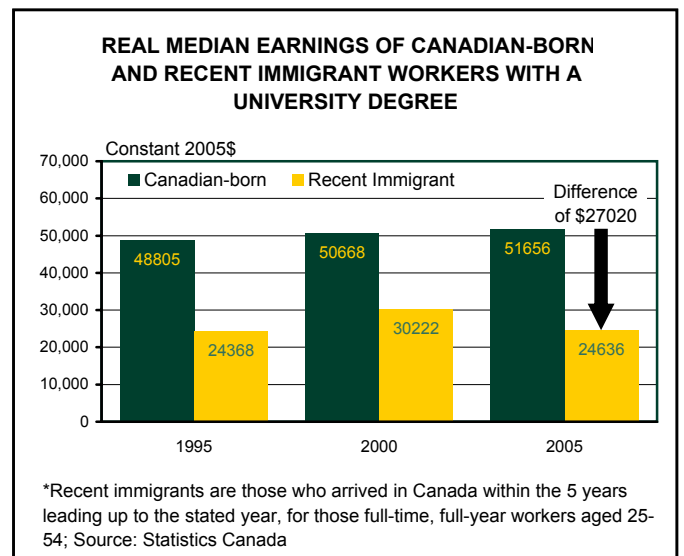
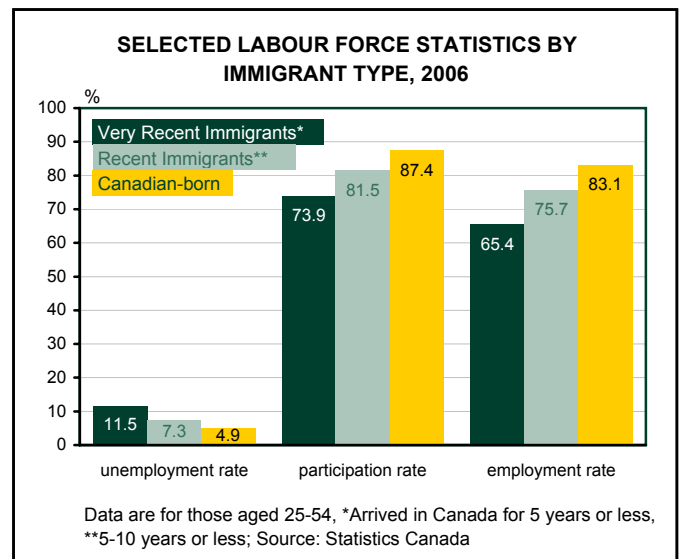
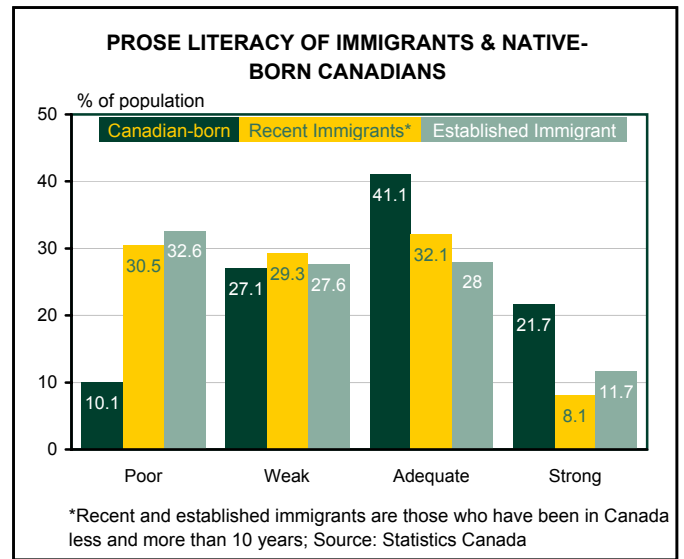
percentage point gap between the unemployment rates of Canadian-born citizens and recent immigrants and the 17.7 percentage point gap between their respective employment rates. One might be inclined to think that this is due to a difference in educational attainment, but census data show that recent immigrants are actually more likely to have a university degree than their Canadian-born counterparts. And yet, the earnings gap between the two groups has been growing over time; the gap is even larger between those with university degrees than those without. The difference in real median earnings between the two groups without university degrees grew from \$12,179 in 1995 to \$13,927 in 2005. Real earnings of recent immigrants grew by a meager 1.2% over that decade. In addition, the gap is even larger for those that are university educated: the gap in earnings between the two groups grew from \$24,437 in 1995 to \$27,020 in 2005.

These results are not to say that literacy is the sole cause of the economic plight of new immigrants, and in fact there are numerous other issues behind their underutilization and poor economic outcomes which will be discussed in the following section. Yet, the fact remains that literacy and language have been identified as a dominant hurdle faced by immigrants today.

The issue is that developing literacy programs is a difficult task as very little research is available that performs a cost-benefit analysis of such programs. They would almost certainly benefit new immigrants, but is it worth society's limited resources to expand the program to cover, say, adults over the age of 60 who have just 5 years left in the workforce? The latter would be difficult and may or may not yield tangible economic benefits. So although literacy programs will be crucial in the coming years, more research is needed on how to efficiently design those programs and how to target their delivery.

**Changing Composition of the Workforce**

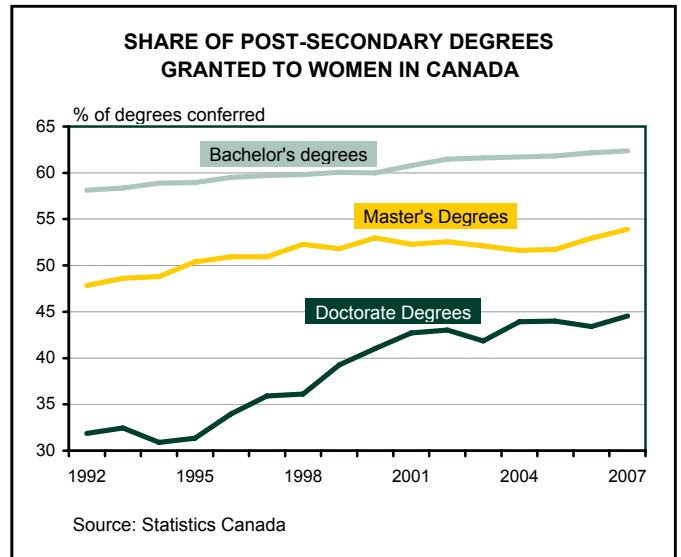
The above discussion of the literacy issue faced by new immigrants highlights a serious problem in Canada. The composition of the Canadian labour force has changed drastically in the past few decades. Labour force growth today is mostly coming from non-traditional groups such as aboriginals, immigrants, women, and older workers. As such, the challenges faced by working Canadians today are both unique and varied as each group faces different problems. In turn, the long-term health of the Canadian economy is predicated on the economic success of these individuals that will constitute the dominant source of skilled labour in the coming decades, so it is imperative that we attack



these problems now. Unfortunately, little is being done and the resulting economic outcomes are clear-cut evidence of this. With the exception of older workers, these groups are still underrepresented in many sectors and in many roles, specifically upper-tier management, and earnings gaps are still prevalent between men and women, aboriginals and non-aboriginals, and immigrants and non-immigrants. We will address the issues faced by each group individually. Please refer to annex A for an illustrated description of how the share of the labour force that these groups constitute has changed across time.

**Women**

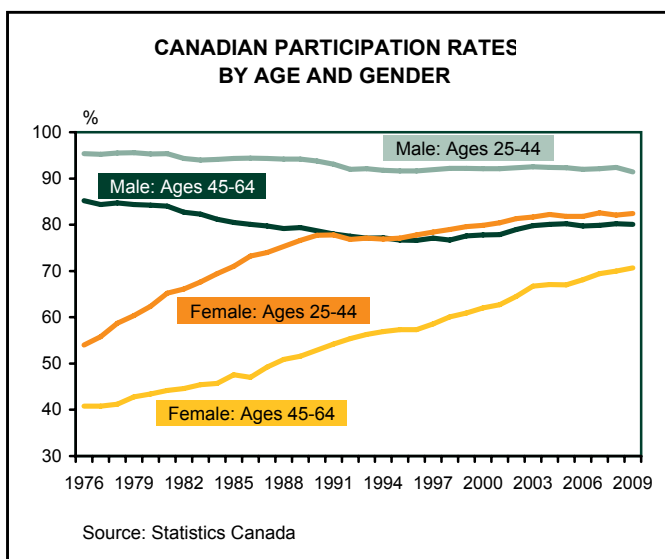
Decades ago, the biggest economic issues faced by women in the workplace were the glaring wage discrepancy between women and men, and the underrepresentation of women in management positions. Little has changed since then. According to the latest census data, the median earnings of full-time, full-year female workers in 2005 was \$35,840, just 76.6% of an equivalent male’s \$46,778 in earnings. According to the OECD, Canada has the 4th largest gender wage gap of all 30 developed economies that constitute the organization, behind only Korea, Japan, and Germany. Yet, there are more women participating in the Canadian workforce than ever. Female participation rates have long been converging towards that of men; in fact, increasing participation by women was one of main driving forces behind labour force growth in the 1980’s and 1990’s. As of 2009, 47% of the labour force is constituted by women. In addition, the data show that women in Canada are actually more educated than their male counterparts. First, an increasing proportion of university degrees conferred in



Canada are going to women rather than men, clearly reflecting the majority representation of women in universities. The latest data from Statistics Canada show that over 60% of bachelor’s degrees, more than 50% of master’s degrees and almost 45% of doctorates were awarded to women in 2007. Second, census data show that 51.5% of women have a post-secondary education and 23.3% have a university degree relative to 44.8% and 22.5%, respectively, for men.

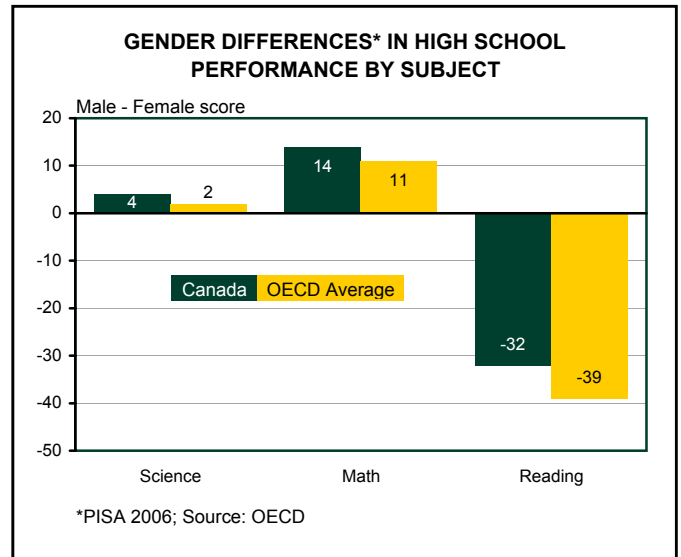
Given these facts, the gender wage gap clearly does not find its origin from a discrepancy in either labour force participation or educational attainment, in general. The most likely explanation comes from the occupational breakdown of employed women and their over-representation in part-time employment. However, studies<sup>7</sup> have shown that even after accounting for these factors, an “unexplained” 5-15% wage gap persists suggesting that cultural factors and gender roles still have a significant impact. Interestingly, those same studies also indicate that much of the improvement in the gender wage gap in recent decades has been a reduction in this “unexplained” portion. This implies that, in the long-term, closing the gender wage gap requires a combination of breaking down cultural stereotypes that run straight through society and more efficient allocation of women across industries and roles.

The National Occupational Classification for Statistics (NOC-S) breaks the job market down broadly into 24 occupational categories. Of those 24, 12 are dominated by males, 10 are dominated by females and 2 are approximately gender-neutral. Of the 12 dominated by males, 8 of those categories have a higher median wage than the overall national median; while in comparison, just 4 in 10 categories dominated by women have a higher median wage than



the national median. As for the other 6 female-dominated categories, 4 of those have a median wage that is just half of the overall national median. These occupations include retail salespersons, clerical and administrative positions, and childcare and home support workers. Clearly, women are concentrated in occupations that are generally lower-paying than their male counterparts. Of particular importance is the underrepresentation of women in management positions: less than 4 in 10 managers in Canada are women. Please refer to annex B for a detailed breakdown.

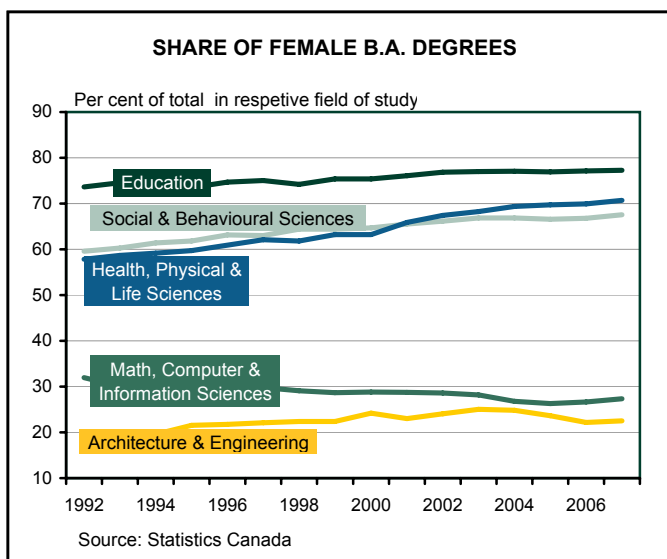
In actuality, this occupational divergence most likely finds its roots in the associated divergence in educational attainment. Though women currently represent the majority of university graduates in general, they tend to concentrate in a limited number of fields that tend to lead into the female-dominated occupations. Namely, high representations of women in education, physical and life sciences, and health related degrees are consistent with the same overrepresentation in those industries. And though this certainly is positive given that wages in the education and health fields are relatively high and the high demand these industries will be faced with in the coming years, women are significantly underrepresented in other fields such as math, engineering, and computer sciences where potentially, future wages may be higher. In fact, this divergence may go back even further to the secondary level. Results from the OECD's Programme for International Student Assessment (PISA) survey show that, in many advanced countries, high school girls tend to dominate in language skills and perform equivalently to boys in sciences, but trail when it comes to math. Based on these results, one could make the case that there is some inherent differences in the skill sets of girls and boys which



could partially explain why the two genders concentrate in different industries. However, more recent studies have shown that the difference in educational performance is due, in large part, to cultural forces; specifically, girls tend to perform worse academically in countries where the local status of women is lower. Conversely, in countries where women are considered equal to men, girls either perform at equal levels or outperform boys in math<sup>8</sup>. This has significant implications for the gender wage gap. If it is mostly a cultural factor that drives the educational gap and it finds its roots all the way back to high school, then closing the adult gender wage gap implies not just workplace policy, but also the need to breakthrough deeply entrenched gender roles that run straight through all levels of society.

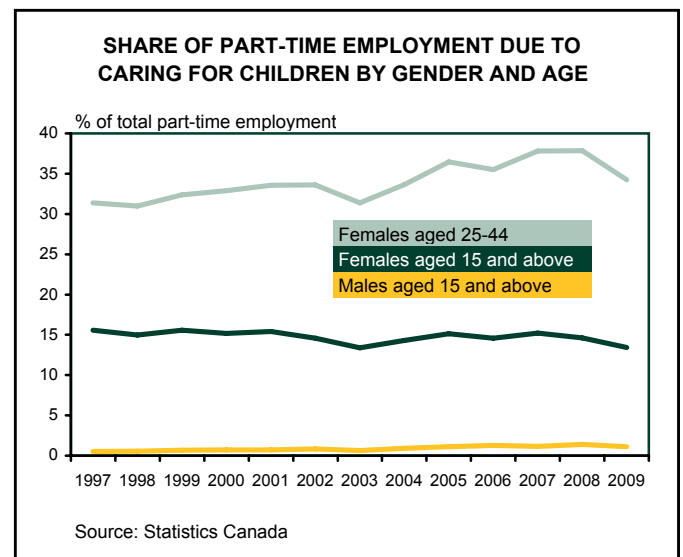
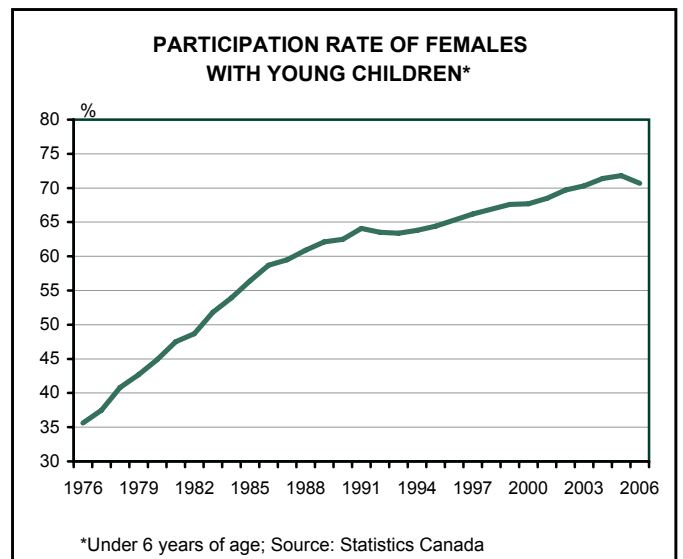
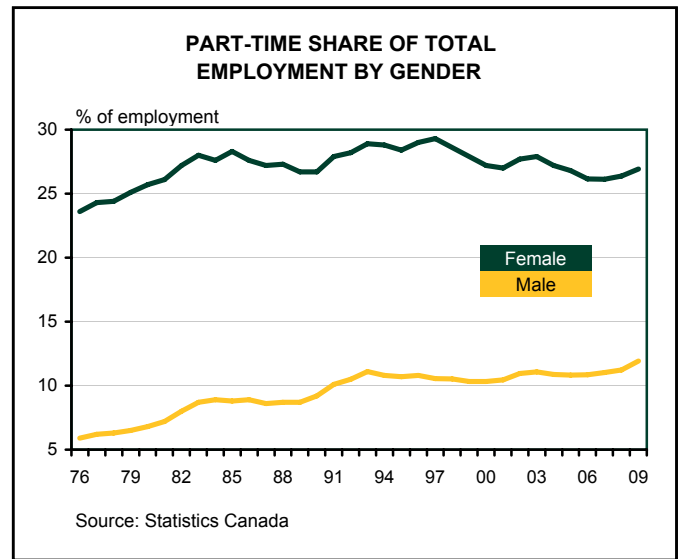
The PISA survey includes a question of what career 15-year old students expect when they reach the age of 30 and the results are very demonstrative of the continued prevalence of these stereotypes. Across the OECD, just 10% and 1.9% of girls reported expectations of a future career in engineering and computer sciences, respectively, while an overwhelming 41.7% expected to be in the health sciences field. For boys, the figures were 30%, 17.4%, and 19.7%, respectively. In Canada, those figures were even more divergent; an astounding 52.8% of young girls expected a future career in health sciences, while just 5.9% expected to go into engineering, and 0.6% expected to go into computer sciences. The problem is likely exacerbated further by the fact that there are very few male role models in early education. Hence, an effective addition to the policy tool set should break down these stereotypes and keep girls in math and sciences throughout their academic careers.

Women are also significantly overrepresented in part-



time employment where wages tend to be lower than in full-time employment. As of 2008, 26.4% of employed women worked part-time relative to 11.4% of men. In addition, the data show a striking divergence between men and women when broken down by the reason for which individuals choose to work part-time. Consider these facts. First, 5.7% of employed women (462,300) worked part-time because they were unable to find full-time work in 2008. Just 2.8% of employed men were in the same situation. Second, the number of women working part-time due to caring for children and other personal or family responsibilities was 14 times larger than the number of men, 404,300 women versus just 28,700 men. Four out of every hundred working Canadian women worked part-time solely so that they could also care for their children. This last statistic is of particular importance. The participation rate of women with young children is at its highest level on record. And when broken down by age group, data show that 38% of women aged 25-44 who worked part-time did so for this reason.

Clearly, the higher incidence of part-time employment is caused, in part, by the cultural notion that women remain the primary caretaker of a family. As such, full-time employment is most likely not an option for many women as this would imply foregoing time to tend to household responsibilities. This also speaks to the poor state of childcare options available to many Canadians. Among comparative advanced nations in the OECD, Canada spends the smallest share of its GDP on early childhood education and care (ECEC) for those aged 0-6. At just 0.25% of GDP, this is extremely distant from the 1.5%-2% range spent by the Scandinavian countries. And since ECEC spending falls under provincial jurisdiction, the 0.25% figure is an average across the provinces and is likely skewed by the heavy subsidization in Quebec where, for example, the \$7 per day childcare provides for many lower income parents. Hence, regardless of the fact that Canada has one of the highest female participation rates in the world, participation in childcare services for children under the age of 3 is only in the middle of the pack among the OECD. In Denmark, Sweden, Norway, and Finland where ECEC spending is highest, female participation rates and childcare participation rates in ECEC services are also higher than in Canada, while child poverty rates are among the lowest in the OECD. Significant amounts of research detail how ECEC spending is put forth by governments specifically to address gender equality, child poverty, and labour market issues that are prevalent among almost all OECD nations and certainly Canada is behind the times with respect to this problem<sup>9</sup>.

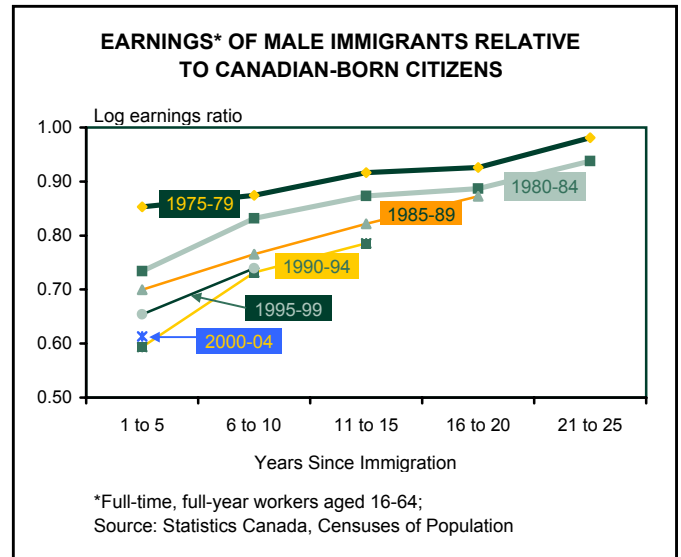


But this will inevitably sort itself out in the coming years: with the majority of university graduates now being female and the increasing need for skilled labour, employers will have the incentive to address the work/family balance issues like child care options, work arrangements, leave, etc. To be successful, however, these programs have to be part of a movement to address certain stigmas that run through universities, schools, and indeed society at large.

**Immigrants**

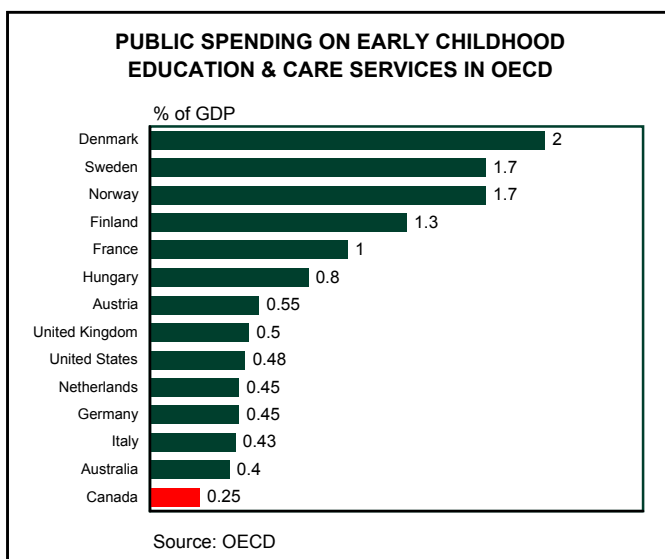
With the nation’s low birth rate and aging demographic simultaneously depleting and sapping the growth of the domestic labour force, Canada will increasingly depend on immigration to fill in the gaps in the coming decades. By 2011, Statistics Canada expects that immigration will comprise all net labour force growth, and that by 2017, visible minorities will make up 1 in 5 working Canadians. Yet, as discussed above, labour market and economic outcomes suggest that our current immigrants are not integrating well into the Canadian workplace and that the disparity between Canadian-born citizens and immigrants is growing.

In the past, immigrants could generally hope to close the earnings gap over time. Those who arrived in the 70’s and 80’s generally earned about 90-100% of an equivalent Canadian-born citizen within 20 years or so, but this is not necessarily the case anymore. It seems as though the starting point for each new generation of immigrants is worse than that of the previous generation such that male immigrants who arrived within the 5 years leading up to the 2006 census earned just 61% of what an equivalent Canadian-born citizen earned. Furthermore, the percentage chance of an immigrant entering low-income status is extremely high



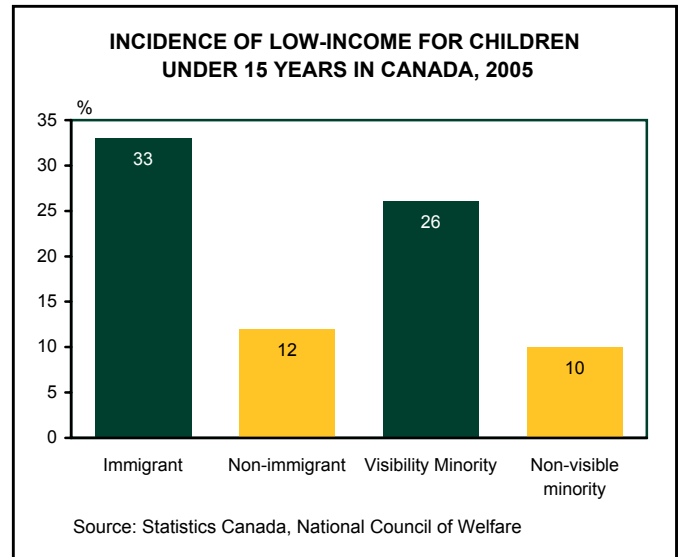
in that individual’s first year in Canada: almost 2 in 5 for those in the skilled worker category and more than 1 in 2 for those in the refugee class. Literacy and language, as outlined above, are clearly major factors that contribute to the above problems, but the numerous difficulties new immigrants face extend beyond just language. Credential and experience recognition is certainly one of the most apparent, such that many new immigrants to Canada must enter either under the family reunification class or the refugee class because they are qualified in such a way that is not recognized here in Canada. Examples of this include engineers or practitioners in health fields where cross-cultural standards and practices are inconsistent. Another issue that many have cited<sup>10</sup> is the overwhelming proportion of university-educated immigrants with degrees related to the information & communications technology (ICT) sector. In 2005, 9.7% of immigrant men with a university diploma had a degree in computer sciences, while 40.7% had a degree in engineering and so were likely aiming to enter that industry. However, following the tech bust in 2001, the ICT sector went into permanent decline and so many immigrants were left unable to find gainful employment. Certainly, this would explain a part of the labour market and earnings outcomes of the most recent generations of immigrants leading up to the 2006 census. However, this applies only to a portion of the total immigrant population, and immigrants, as a whole, are extremely underutilized in Canada.

To some degree, the provincial nominee program has been effective in matching skilled labour in other countries to the needs of each province, but the number of spots available in these programs is very limited and is just a small fraction of the overall number of immigrants that enter



through the traditional method that is under federal jurisdiction. In addition, the Auditor General heavily criticized the programs for a lack of consistent evaluation criteria and the fact that these foreign skilled workers bypassed any Citizenship and Immigration Canada (CIC) evaluation. The CIC has committed itself to processing all provincial nominees as expeditiously as possible, and so imposed no minimum evaluation criteria on candidates. The federal government, therefore, has little information on who enters the country via these programs. Recommendations made by the auditor general, with which CIC agreed upon, include collecting shared information against an agreed upon evaluation criteria, and imposing processes that would ensure the provincial programs were in-line with the federal program's objectives.

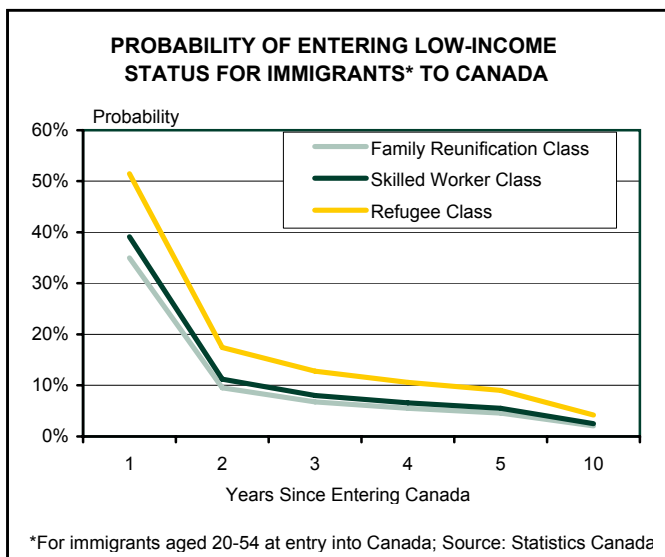
The federal government is also working to improve the integration of new immigrants through a series of policy initiatives announced recently. First, they have recently announced a program that will speed up the immigration process for those entering under the skilled worker class in 38 specific industries that Human Resources & Social Development Canada has determined are currently facing skilled labour shortages. Second, a recent federal-provincial program called the Pan-Canadian Framework for the Assessment and Recognition of Foreign Credentials was proposed in order to ease the transition of skilled professionals who, as discussed above, may spend years working in an unrelated field due to the fact that their experience and credentials are unrecognized here in Canada. The new program would advise applicants within one year of their submission whether their credentials would be recognized. These two programs, the latter of which will be fully implemented by the end of 2012, should help ease the integration of new immigrants by



improving their prospects for employment here in Canada.

As for current immigrants, the newly minted programs do little to fix the glaring earnings and labour outcome discrepancies that they face and it is likely the case that they will have to depend on better outcomes for their children as a means of closing the gaps. Fortunately, the empirical evidence of this is favourable. Studies<sup>11</sup> have shown that the educational outcomes of immigrant children are, on average, at least as high as those of Canadian-born children during their primary education years. Native English or French speaking immigrant children generally outperform their Canadian counterparts, while those whose native language is neither English nor French tend to lag only in language skills. However, with time, even these tend to converge resulting in broadly equivalent performance between all immigrants and Canadian-born children.

Immigrant children also tend to have higher educational aspirations and achieve higher levels of education than their Canadian-born peers. Results from the 2000 Youth in Transition Survey indicated that 79% of young visible minority immigrants planned on attending university relative to just 57% for Canadian-born non-visible minority persons. This difference holds true even when factors such as household income, grade averages, and the educational attainment of parents are accounted for<sup>12</sup>. These aspirations are, in part, a reflection of the value that immigrant parents place on post-secondary education and the notion that by attaining higher education, their children can avoid much of the hardship that they faced upon integrating into the Canadian workplace. Results from the 2002 Ethnic Diversity Survey indicated that, indeed, 37.6% of immigrant children attend university relative to just 27.5% for Canadian-born children.



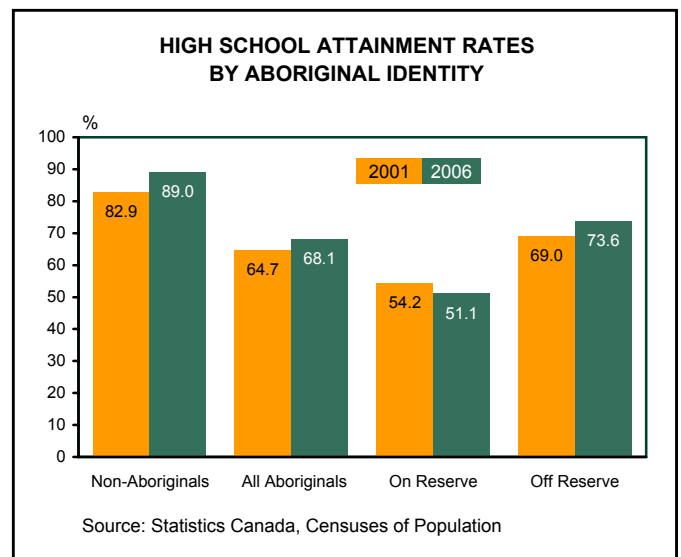
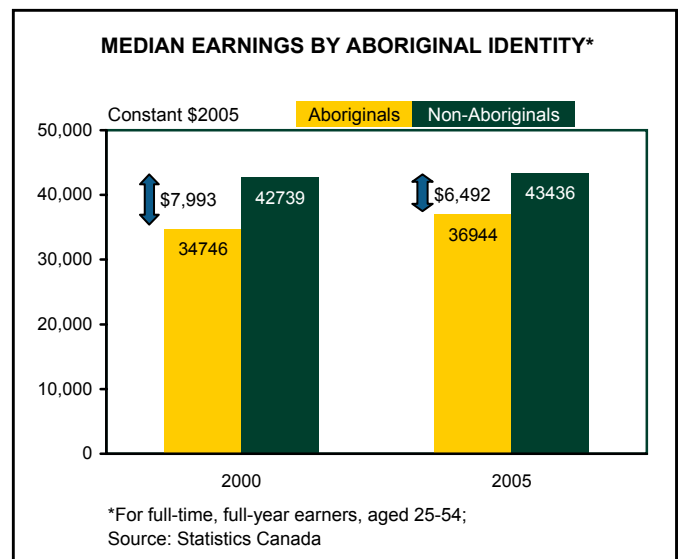
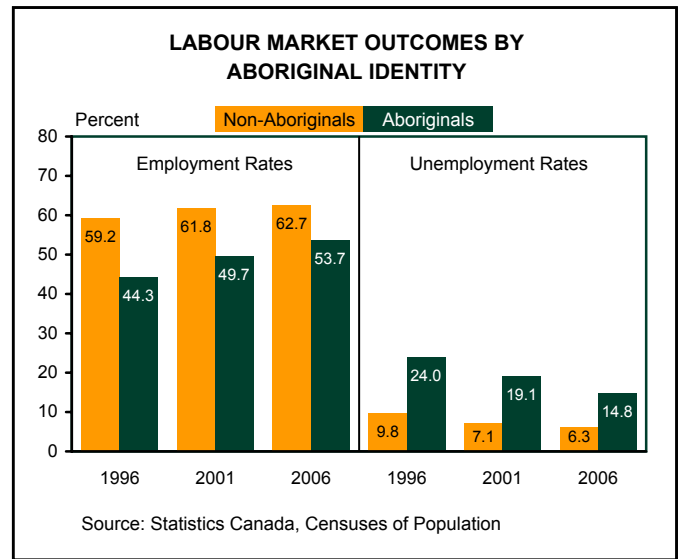
Though this figure differs quite significantly between ethnic groups, broadly speaking, some of these earnings and labour outcome gaps will work themselves out with future generations. The unfortunate caveat to this conclusion is that, as discussed above, immigrants are at a very high risk of falling into low-income status. Specifically, one-third of immigrant children below the age of 15 were considered in low-income status in 2005. Being in low-income status will clearly inhibit an individual's ability to pursue post-secondary education regardless of how much value is placed on it and so places even more emphasis on improving access for lower-income individuals.

**Aboriginals**

Aboriginals are the youngest and fastest growing population in Canada. Between 1996 and 2006, the aboriginal population almost doubled, growing by 46.8%, while the non-aboriginal population grew by just 8.4%. As of 2006, the median age of the aboriginal population was 26.5, 13.2 years younger than the non-aboriginal population. This implies that their importance as a primary source of labour will become very apparent in the coming decades.

Unfortunately, the longstanding economic challenges that aboriginal people face yet persist and they remain extremely underrepresented in the labour force. Between aboriginals and non-aboriginals, there was an 8.5 percentage point gap between their respective unemployment rates and a 9 percentage point gap between their employment rates, in 2006. The situation deteriorates further when aboriginals are broken down by their area of residence: aboriginals living on reserves fare significantly worse such that their unemployment rate was more than double that of those living off reserves, 24.7% versus 12.2%. The same story applies to earnings: the gap between aboriginals and non-aboriginals narrowed from \$7,993 in 2000 to \$6,492 in 2005, but widened from \$7,483 to \$8,433 between those living on-reserve and off-reserve. In part, these gaps can be explained by a divergence in educational attainment as data show that attainment levels among aboriginals are very poor. The high school attainment rate for those living off reserves was 73.6% in 2006, while that of the non-aboriginal community was 89%. Among those aboriginal peoples living on reserves, just over half (51.1%) got their high school diploma; and in fact this statistic is down from 54.2% in 2001.

Yet, data indicate that the income gap narrows drastically once the education gap has closed. In 2006, the employment rate gap between aboriginals and non-aboriginals was

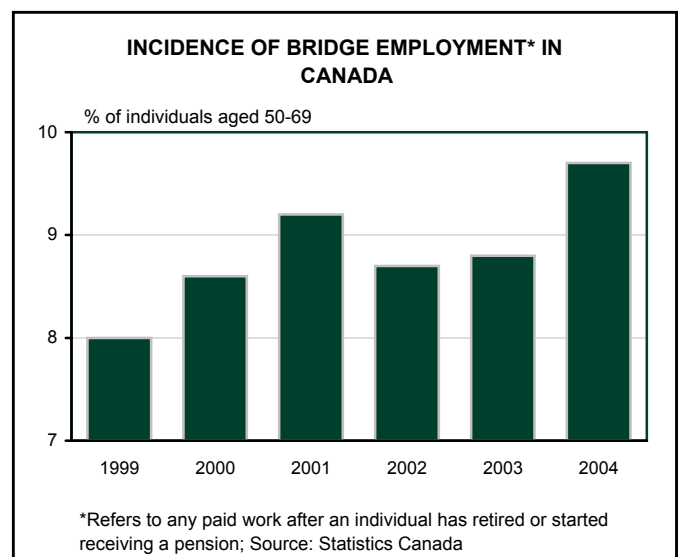
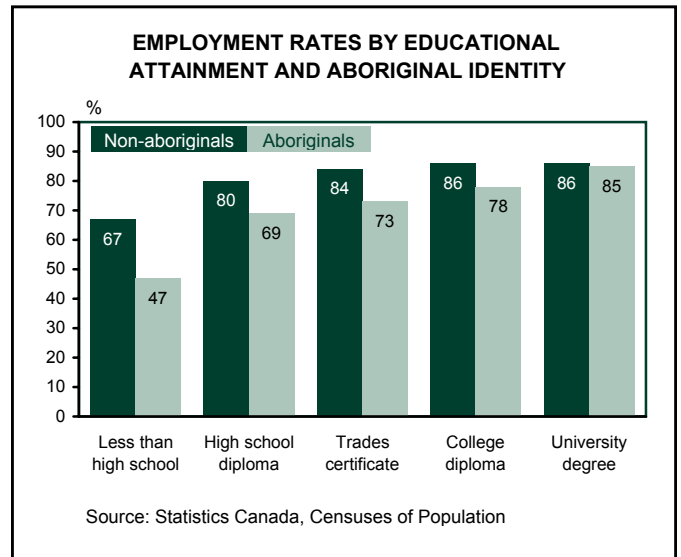


20 percentage points for those without their high school degrees. This gap narrows to just 1 percentage point for those that were university educated. Both the federal and provincial governments have recognized the importance of promoting K-12 education as an effective method of combating the inequalities faced by aboriginals and have, thus, focused policy on addressing high drop-out rates, especially on reserves. However, the barriers faced by aboriginals extend far beyond simply obtaining degrees; deeply ingrained social issues must also be overcome in order for the proper integration of aboriginal people into the workplace can be achieved. Thus, it is integral for governments, aboriginal communities, and businesses to collectively address these economic and social issues because Canadian businesses will need workers in the very near future and cannot afford to underutilize our fastest and youngest demographic. However, the issue follows the same story as that of immigrants. The timing is right, but high levels of low-income incidence and low levels of educational attainment bring the issue of improving access to post-secondary education back to the fore, as this will be the crux upon which the success of these two underrepresented groups rests. The federal government announced a number of measures regarding education, training, skills development, and employment opportunities targeted at Aboriginals as part of Canada's Economic Action Plan. These measures, which are a combination of new programs and additions to existing ones, will hopefully bridge some of these gaps in education and labour outcomes.

**Older Workers**

A recent trend that has been emerging over the last decade is that older workers are increasingly remaining in the workplace rather than opting for retirement. Since 1997, the participation rate of those aged 55 and over has skyrocketed from less than 23% to over 35%. In part, this increase is being caused by a new trend of pursuing employment after retirement, referred to as bridge employment, by the baby boomer generation. Almost 10% of those aged 50-69 were employed post-retirement in 2004.

Hence, with the looming slowdown in labour force growth, older workers are and will be a key demographic in the workplace; not only for the sheer number of baby boomers that there currently are, but also because of their experience and skill set that cannot be replaced by younger workers. This implies that, within the coming years, employers will need to conceive of both incentives to retain older workers and methods of facilitating them. Older workers do not demand the same type of employment that they did in

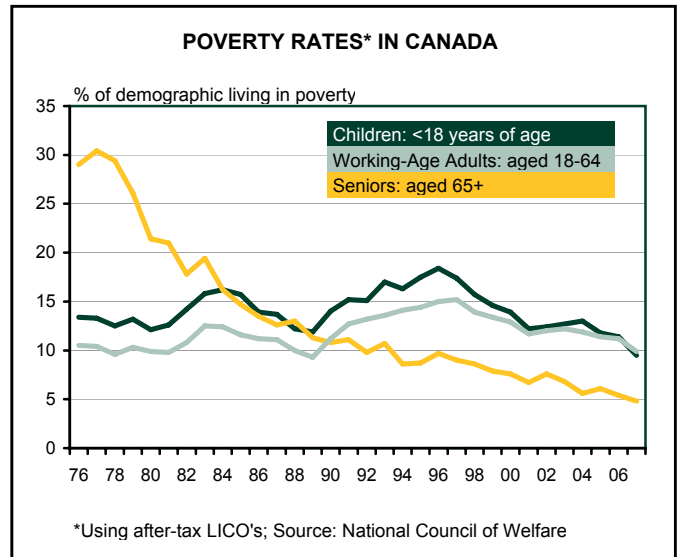


their prime working years, but the fact that the participation rate of those aged 55 and over is at its highest level on record suggests that many are reluctant to move towards retirement. This could either be due to financial uncertainty, personal preference, or simply because many are uncomfortable with leaving the workforce completely after having worked consecutively for the majority of their life. Indeed, a recent Ipsos-Reid poll released in January indicated that up to 63% of those aged 50 to 64 said that they would prefer to ease into retirement by working fewer hours or staying on with their current employer in some capacity. However, the same poll showed that only one-third of employers would likely allow individuals to stay on beyond the traditional retirement age and just 21% said they would consider reducing an older worker's hours<sup>13</sup>. These employees, thus, have to make a choice between the sometimes difficult adjustment of retirement, or returning to the front lines at perhaps another company in a full-time capacity.

Employers must develop increased flexibility in the roles and arrangements that are available to workers. Shortened workweeks and workdays, or part-time and contract employment, more behind-the-scenes roles such as advisory or consulting positions, and a more flexible corporate structure that facilitates the efficient use of this "new" demographic will be crucial in the coming years.

**Widening Income Distribution Gaps**

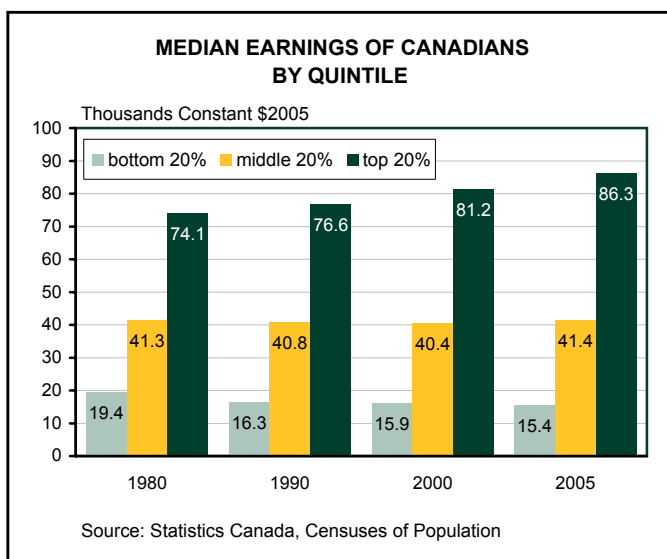
A decades' long social policy issue that has well-eluded many advanced nations is the rising income inequality between the rich and poor. Canada is no different. A recent Statistics Canada report indicates that, over the past 25 years, the richest Canadians have been the only ones who have



seen their real earnings increase. Between 1980 and 2005, the real median before-tax earnings of those in the highest income quintile rose by 16.5%; those in the lowest income quintile saw their earnings decline by 20.6%, while earnings of those in the middle quintile did not move at all. Certainly, the declining fortunes of certain underrepresented groups such as immigrants and aboriginals underpin this troubling result as they likely constitute a significant portion of those in the lower income quintiles.

To some degree, transfer programs such as Old Age Security/Guaranteed Income Supplement and the Canada Child Tax Benefit have been successful in combating income inequality and poverty in those particular groups. Recent research<sup>14</sup> by the National Council of Welfare has shown that, in 2007, low-income incidence among seniors and children were at their lowest levels since 1976, 4.8% for seniors and 9.5% for children. But is this acceptable? Indeed, the progress made among seniors has been phenomenal given that the incidence of low-income sat above 30% in the late 1970's and has fallen consistently over the past 3 decades. And certainly great strides have been made in increasing subsidies for low-income families with children such that the incidence of low-income among children almost halved from the 18.4% in 1996. However, there are two major problems: first, the 9.5% incidence rate among children is still a far cry from the complete elimination that parliament voted for in the late 1980's, and second, the at-risk group has switched from seniors and children to single, working-aged adults for which income security is extremely lacking.

The two programs aimed at protecting the incomes of working-age Canadians are Employment Insurance (EI) and provincial welfare programs, both of which are ineffective.





With respect to EI, coverage rates fall consistently below 40% of unemployed people being covered by the program. In part, this is likely due to the restrictive eligibility requirements: the number of hours that a working Canadian is required to have worked in the year prior to becoming unemployed (qualifying period) is extremely high and very difficult for many people to obtain, especially with the increased incidence of part-time and temporary employment. The hour requirement varies based on the regional unemployment rate in which an applicant resides; however, these requirements have not changed since the program was overhauled in 1993 and do not take into account the fact that the overall unemployment rate has declined consistently since the 1990's. For most major cities, the unemployment rate lay somewhere between 0% and 7% prior to the onset of the global recession, resulting in the maximum eligibility requirements for most unemployed Canadians. Refer to the associated table of eligibility requirements. In addition, one is ineligible for EI benefits if they voluntarily left their job without just cause or if they were fired due to misconduct, and the hour requirement increases to 910 hours for new entrants to the labour force and for those who have been absent in the labour force for more than 2 years.

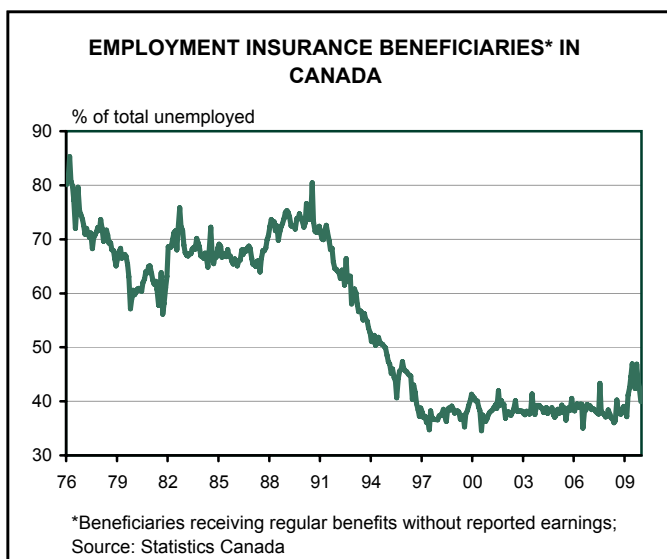
However, the low coverage rate is also rooted in the fact that many do not contribute to the EI program and are, therefore, ineligible for regular benefits. The self employed are an example of such a group; in fact, the incidence of self-employed has been on the rise since the 1990's and now represent about 16% of the total employed workforce. Hence, any who are unemployed in this increasingly large portion of the workforce are ineligible to receive EI benefits. Recent studies<sup>15</sup> have shown that, in 2007, only 70% of the

Canadian Metropolitan Unemployment Rates*		
City	Unemployment Rate	Required Hours**
Calgary	3.2	700
Edmonton	3.9	700
Halifax	5.3	700
Hamilton	6.0	700
Montreal	7.0	665
Ottawa-Gatineau	5.4	700
Quebec City	5.0	700
Regina	4.8	700
St. John's	6.9	665
Toronto	6.8	665
Vancouver	4.2	700
Victoria	3.3	700
Winnipeg	4.7	700

\*Data are for 2007  
 \*\*Number of hours required to be eligible for EI benefits given local unemployment rate  
 Source: Statistics Canada

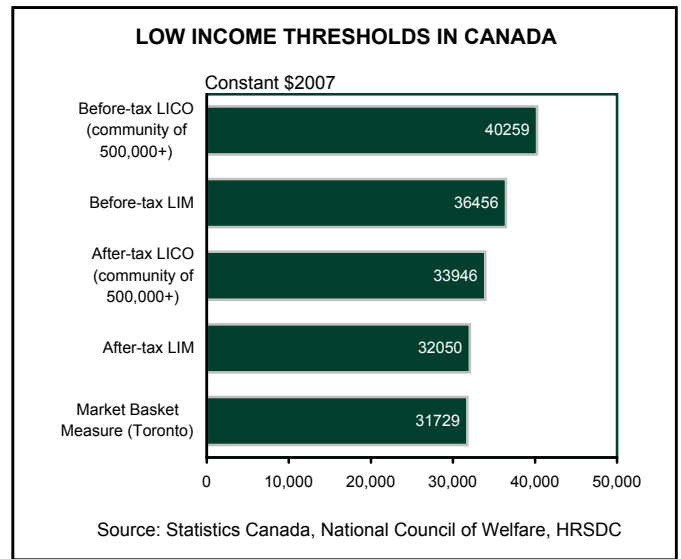
approximately one million unemployed Canadians actually contributed to the EI program. Of those contributors, 59% received regular benefits, 5% were eligible but did not collect benefits, and the remaining 46% either did not meet the eligibility requirements or faced invalid job loss. Hence, the low coverage rate for all unemployed Canadians likely overstates the problem with the EI program. But even at 64% (those who are both EI contributors and are eligible for benefits), that coverage rate is still quite low. The Federal government's Economic Action Plan extended the number of weeks that one can receive regular benefits, which certainly addresses the issue of extended unemployment during the recession; however, the issue of the low coverage rate was not addressed.

So for many unemployed Canadians, this first line of defense is not entirely adequate and they must turn to the nation's welfare or income assistance programs. Unfortunately, these suffer from a number of problems that prevent them achieving their original purpose. The most paramount of such problems is the disincentive the program inherently creates for those that are on welfare, referred to as the poverty trap. As individuals on welfare pursue paid employment opportunities, the claw back of the range of welfare-related benefits pushes the marginal effective tax rate on low levels of income above 100%. As an example, consider a single parent on welfare considering a part-time job that pays \$10 per hour: taking such an opportunity means that they may lose in-kind benefits such as affordable housing or drug and medical plans. At low levels of income the loss of benefits can exceed the gain in employment income and



so they find themselves worse off financially than if they had not pursued such opportunities in the first place. Thus, many stay trapped in this quasi-permanent state of being on welfare. In addition, the strict asset limits imposed on those receiving benefits prevents them from building any kind of buffer against fluctuations in employment and earned income, which mounts additional difficulty on those who wish to exit welfare on top of the already crippling high marginal effective tax rates. Thus, welfare programs are an airtight box: it's extremely difficult to get in, and for those already in, even harder to get out<sup>16</sup>.

The provincial welfare programs were fundamentally designed to prevent those who are facing temporary economic hardships from falling into, or falling further into poverty. Hence, it is likely that the inefficiencies associated with the welfare programs are underpinned by the fact that we have no formal definition of poverty. Currently, policy-makers utilize a number of different measures as estimates of poverty lines. Low income cut-offs (LICO's) and low income measures (LIM's) are the two most commonly used indicators and are based solely on nationwide expenditure and income data. The LICO for any given year is defined as the level of income consistent with having to spend 20% more on necessities such as food, clothing, and shelter than the average Canadian family and differs based on the size of the city in which the family resides. The LIM for any given year is defined as 50% of median family income for that year. Unfortunately, neither of these indicators suffices as a good proxy for poverty as they do not take into account the differences in living costs across cities, but they are relatively easy to calculate. To that end a more recent measure, the market basket measure (MBM), has been increasingly popular which differs across cities to account for the fact that



those who live in more expensive cities face larger financial difficulties. Unfortunately, the MBM is also insensitive to the nuances of what living in poverty truly implies and is not calculated on a regular basis.

In the United Kingdom and other EU countries, a material deprivation index has been in use which not only includes an income aspect, but also an index created from a survey of those living in poverty which details whether they are able to purchase certain material goods or participate in certain social activities. The two used in conjunction provide a better picture of what "living in poverty" implies and has recently been adopted by the Ontario government in their initiative to reduce poverty by 25% in 5 years, referred to as 25 in 5. In partnership with Statistics Canada, a pilot survey was conducted recently to obtain such data and will be used in tandem with a variation of the LIM to establish the incidence of poverty in the province. It is then the hope that, were the Ontario Material Deprivation Survey (OMDS) to prove successful in establishing a better measure of poverty, that the index would then be applied to the rest of the country, which appears to be the case since the OMDS piggybacks off the existing labour force survey that is already nationwide.

**Changing Nature of Work**

In tandem with the structural changes to the face of the labour force discussed above, so too has there been such a shift in the type of work Canadians are doing. The increasing flexibility of the labour market and the constantly changing needs of firms have resulted in a move away from traditional full-time employment towards more temporary arrangements such as part-time, contract, and other non-permanent

Canadian Employment Insurance Eligibility and Regional Labour Markets	
Regional Unemployment Rate	Required Hours of Insurable Employment in Qualifying Period
0%-6%	700
6.1%-7%	665
7.1%-8%	630
8.1%-9%	595
9.1%-10%	560
10.1%-11%	525
11.1%-12%	490
12.1%-13%	455
13.1% and over	420

Source: Service Canada

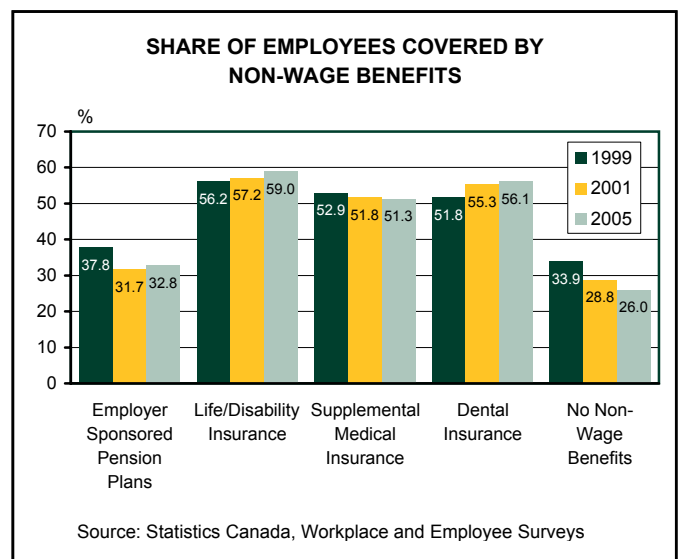
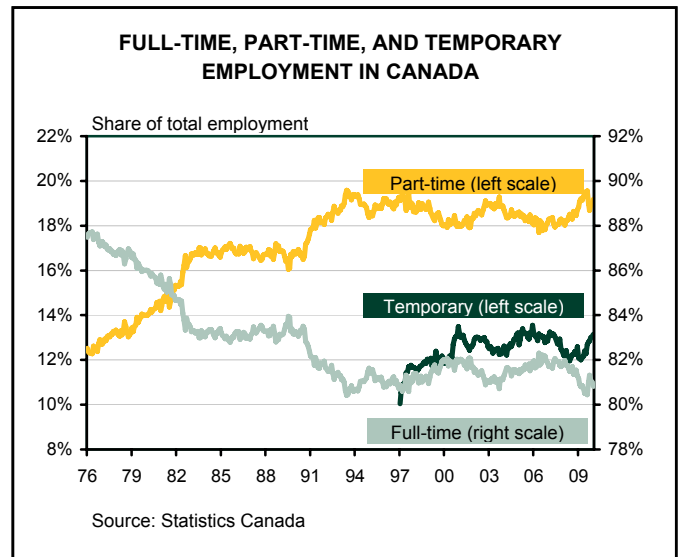
work. Indeed, according to the HRSDC, Canadian workers today will have, on average, three careers and eight jobs over the course of their working lives<sup>17</sup>.

As data from Statistics Canada show, part-time employment certainly is more prevalent today than it was back in the 1970's. So far in 2009, the share of part-time employment averaged 19.2%, an increase of almost 7 percentage points from 1976, while the share of temporary employment increased from 11.2% in 1997 to 12.3% in 2009. The latter was driven largely by an increase in contract employment which has steadily risen over the course of the last decade from around 5% in 1997 to 6.5% in 2009.

These facts underpin a contentious issue currently in the fore of public policy discussions. Part-time and temporary job arrangements typically have lower earnings, offer fewer employee benefits, and are less stable than their permanent and full-time equivalents. As such, the increasing use of these work arrangements begs the question whether or not it is prudent for the government to step in and provide better income security and non-wage benefits in the private sector's absence.

Unfortunately, this becomes a very difficult problem to disentangle because there simply is not a sufficient amount of data to decipher, one way or another, what is actually occurring in the workplace. It certainly could be the case that the rising incidence of these non-standard work arrangements is due to firms not wanting to hire permanent, full-time employees due either to budget constraints, fluctuating demand, or both, which might warrant public policy action on the provision of benefits. On the other hand, this trend could simply be a preference among Canadians, themselves. Over 75% of men and 78% of women who work part-time do so voluntarily, while the incidence of temporary employment is relatively concentrated among the very young and older workers who might prefer more flexible work arrangements to ease the transition from school to work and from work to retirement, respectively. And if the latter were true, some form of public provision of non-wage benefits like additional medical and pension coverage would be inefficient.

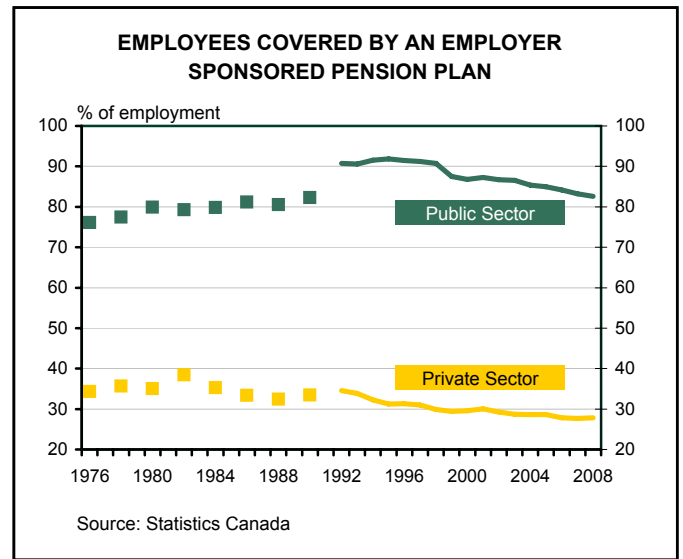
Moreover, the data available do not provide us with any additional insights; according to Statistics Canada's Workplace and Employee Survey (WES), the percentage of employees who reported having no non-wage benefits actually declined from 33.9% in 1999 to 26% in 2005. However, as the associated exhibit shows that, although dental, life, and disability insurance coverage increased between those years, supplemental medical insurance and pension coverage decreased. Hence, the 8 percentage point improvement



in overall non-wage benefit coverage does not imply that employees are necessarily better off; it implies that employers are eliminating non-wage benefits that Canadians have traditionally depended on, and replacing them with other options. Unfortunately, the WES has not been taken since 2005 which provides us no additional insight as to the state of non-wage benefits coverage during this important shift in labour market trends.

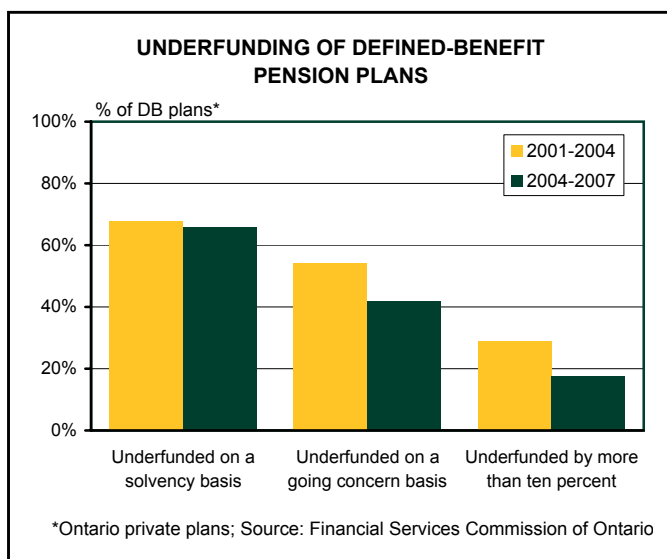
Of particular interest, though, is the unambiguous decline in employer sponsored pension plan coverage. More detailed data show that coverage is in significant decline and has been for a number of years; and though it has fallen quite sharply for the public sector, from above 90% in the mid-1990's to just above 82% in 2008, this is a particularly dire issue for private sector employees. Underpinned by the increasing shares of part-time and temporary work which are less likely to provide pensions, coverage has consistently declined for those in the private sector since the early 1990's and was just 27.8% in 2008. In addition, defined benefit pension plans, which were the standard in the 1980's and 1990's, are extremely expensive to administer and so have largely been replaced by defined contribution plans.

In both cases, this shifts the burden of saving for one's retirement onto the individual. Though this is not the problem in and of itself, it is because many Canadians do not take advantage of retirement savings vehicles such as RRSPs; just 3 in 5 Canadian families have an RRSP with median holdings amounting to just \$25,000. From an income security perspective, this is extremely troubling. With the baby boomers preparing to retire in the next decade and the low level of savings that would likely not last more than a few years, there will be increased pressure on government



finances as the demographic shift whittles down general tax revenues and more retirees depend on the Old Age Security and Guaranteed Income Supplement programs.

Two major analyses of Canada's retirement income system have been released: one by Jack Mintz for the Research Working Group on Retirement Income Adequacy and another by Bob Baldwin for the Ontario Ministry of Finance. Both argued that the retirement income system succeeded in providing an adequate level of income security to the current elderly, while highlighting that the group that was at risk for having insufficient savings to meet retirement goals in the near future were current average-to-above-average income earners. The main difference between the two studies is that while the Mintz report unequivocally proposes that no change be made to the current retirement income system, the Baldwin report was particular in stating that although the system will perform broadly well in the future, there yet remains some uncertainty. For example, OAS and GIS payments are price-indexed, while low-income measures are based on wage growth. Thus, given real wage growth, dependence on OAS, GIS and CPP alone will push the elderly in the lower income brackets into low-income status even though technically their purchasing power remains the same. A second difference between the two papers lies in their discussion regarding employer pension plans and RRSP's. On the one hand, Mintz leverages research which indicates that Canadians without employer pensions plans have even more retirement savings than those who do. On the other hand, while Baldwin does not dispute that result, he does point to wealth data that suggests Canadians find it difficult to establish alternative savings vehicles in the absence of an employer pension plan. These opposing results





<b>MEDIAN VALUE OF RPP'S BY NET WORTH QUINTILE*</b>						
Net Worth Quintile	RRSP only		EPP's only		RRSP and/or EPP	
	%	\$	%	\$	%	\$
<b>All Families</b>	<b>60</b>	<b>25000</b>	<b>50</b>	<b>65400</b>	<b>74</b>	<b>65800</b>
Bottom	19	N/A	23	12100	35	4000
Second	46	6000	39	18400	61	12600
Third	64	15000	58	54900	83	33000
Fourth	81	35000	70	95500	92	100000
Top	87	111100	59	190000	92	250000

\*For families with financial assets; Source: Statistics Canada, Survey of Financial Assets 2005

can be reconciled by considering the fact that, in recent decades, rising female participation rates and two-couple families have likely caused household retirement savings to rise in spite of declining coverage rates of employer pension plans. Baldwin is quick to point out that these factors have likely been played out, so in the future, many will have to change the way in which they work and save to secure their retirements.

And it is this last point that is of particular importance. Both Baldwin and Mintz highlight that those at-risk of facing difficulties in maintaining their standard of living going into retirement will be those in the middle-income or slightly higher than middle-income brackets. Mintz quotes a figure of one-fifth of all retirees in this at-risk group, while Baldwin quotes a figure of one-third as being more realistic. In either case, this is a significant number of individuals that will require action. In addition, their research is not nearly as forward looking as it should be. The problems related to the retirement income system cited here, such as declining coverage of employer pension plans, low RRSP holdings, etc, do not refer to the current or even the next generation of retirees, they relate to those who began their careers within the last two decades and who will not retire for likely another two decades, and generations of retirees beyond that. So if there is already a group of retirees who are financially at-risk, then the one-fifth to one-third figure could balloon given the continued decline of employer pension plans and the low RRSP holdings. According to the Survey of Financial Assets, only those in the top net worth quintile had any significant holdings in their RRSP's, an average of \$111,000 in 2005. Even for those in the next quintile, holdings dropped to just \$35,000 and deteriorate significantly going down the net worth scale. Hence, any pension reform efforts made should have this target group in mind since they are decreasingly likely to be covered by a pension and their personal savings are completely inadequate, so the focus must be on improving the incentives to save.

The increased usage of mobile technology has also changed the way Canadians are working. Things like the Blackberry or laptops allow more flexibility for when and where employees can get their work done, but simultaneously have the effect of increasing employer expectations and, as a result, the time workers are engaged in work-related activities. Thus, these technologies simultaneously increase productivity, efficiency, and the flexibility of work schedules, but also cause distress on work-life balance as the longer work hours impede on personal time. A recent study<sup>18</sup> by Linda Duxbury showed an overwhelming penetration of these kinds of technologies; 89% of participants in the survey reported owning a Blackberry. In addition, the study's results showed that high users, which represented about 1 in every 5 people, reported working more than 31 hours outside the office using mobile technology. This is in addition to the almost 70 hours per week already spent in the office working. Medium level users, who worked 53 hours a week in the office and represented 1 in 4 workers, reported an additional 15 hours of work outside the office. Hence, in combination with the high level of penetration of these technologies and their detriment on work-life balance, the way in which Canadians are working has permanently shifted towards always being 'on'. And because this is a fairly recent phenomenon, the full range of possible effects increased stress levels and poor work-life balance will have on workers have not yet emerged.

**Employer Workplace Practices and Policy Issues**

The issues identified above briefly discuss the major trends and issues currently facing the Canadian labour market and what kind of effect they are having on Canadian workers. For the most part, the consequences of these trends are negative: slowing labour force and productivity growth pose significant downside risk to overall economic growth and the standards of living of Canadians, rising educational requirements and low post-secondary education participa-



tion rates among lower-income youths, literacy, and the underrepresentation of certain workers are all contributing to the widening of labour market and earnings gaps. In addition, declining coverage of non-wage benefits, income security and the increased pressure on work-life balance are all major risks to the overall well-being of Canadians. Overcoming these challenges merits the immediate attention of employers as the solutions must come from a complete overhaul of how we consider the labour force. Employers can no longer assume that the same practices and approaches regarding human capital will still apply in a decade's time.

The adaptation of Canada's underrepresented workers will be the primary challenge for employers. The groups identified will become extremely important in the coming decades and so the competitiveness of Canadian firms will inevitably depend on how effectively their skills are utilized; doing so will require a more inclusive work environment that addresses the aforementioned issues. Language training for immigrants and extensive on-the-job training for people drawn from non-traditional labour pools will be crucial for utilizing these groups more efficiently. Admittedly, employers who do end up offering such programs run the risk of hiring employees only to see them leave after they receive their training, but the onus will inevitably fall on someone. And given a lack of skilled labour, many firms may have no choice. In addition, improved leave and career options for workers with children will certainly relieve some of the work-life balance issues associated with childcare and may improve the full-time/part-time imbalance among female workers. Stereotypes regarding the career paths for females need to be broken down and the educational gap between the genders closed, while more flexibility in terms of work arrangements such as increased part-time or contract employment, a wider variety of roles, and shortened work-weeks will provide the proper incentives for older workers to remain in the labour force. Most importantly, using the Canadian labour force most effectively will be predicated on how well employers engage these underrepresented groups; to that end, it is up to employers to develop programs and initiatives that directly involve them.

From a policy perspective, the need to address the gamut of labour market issues discussed above is evident in both the macroeconomic challenges that will soon face the Canadian economy and the diverging outcomes of Canadians themselves. The overwhelming inefficiency of student aid is certainly the most pressing issue that needs to be addressed in order to ensure equitable access to post-secondary education for all Canadian youths. Though derived from the best

of intentions, the design of the current needs-based programs is poor and universal subsidies like tax credits and savings incentives disproportionately benefit those with higher levels of income. The grant for students from low-income families is certainly a step in the right direction, but other needs-based programs are clearly in need of a finer screening process. In addition, more financial education is necessary for those who should be taking advantage of RESPs and CESGs.

The public sector can also help underrepresented groups. Promoting math and engineering among females, legislation related to parental leave, subsidies for childcare, literacy and credential recognition programs for immigrants, and creating opportunities for private sector firms to interact with aboriginal communities are all examples of ways government organizations can alleviate some of the inequalities among these groups. In fact, there are already examples of some attempts to do so: the Ontario government's recent implementation of full-day kindergarten and the auditor general's scathing report on Immigration Canada which called for drastic improvements to the immigration process are both steps in the right direction. However, with the sheer number of issues related to gender and ethnic inequality, clearly more needs to be done; an additional incentive to do so is that it is likely that the earnings gaps will narrow if they succeed.

Policymakers also have a tough road ahead in combating the issues related to income security. The recent reforms made to the employment insurance program as part of the government's Economic Action Plan do not address the low coverage rate which, even if only those who contribute to the EI program are considered, the current eligibility requirements restrains; and yet this is its biggest shortcoming. In order for Canadian workers to avoid being trapped in poverty, the EI program must be able to support them during transitions in employment. A 2006 report<sup>19</sup> by the Modernizing Income Security for Working Age Adults (MISWAA) task force made a number of recommendations to overhaul the employment insurance system which included reducing the eligibility requirements, reintroducing penalties for those who were fired rather than disqualifying them outright, and reducing the eligibility requirements for new and re-entrants into the labour force. The provincial welfare programs also need to be overhauled to eliminate the disincentives to work by changing the way in which welfare benefits are clawed back to avoid pushing the marginal effective tax rate above 100% and, perhaps, omitting RESP's, TFSA's and other savings vehicles from the asset tests so that those in the programs can develop some income security in the long-term.



Lastly, pension reform is needed to secure the retirements of Canada's aging population. According to recent studies, one in three retirees are currently at-risk of being unable to maintain their standard of living going into retirement; and given that employer pension coverage is on the decline and the severe lack of personal retirement savings, future generations of retirees will face even more difficulties. Specifically, those who are in the middle-to-upper-middle income brackets who are not covered by a company pension are at-risk if no action is taken to bolster private savings. Thus, there will be an increasing dependence on public programs like OAS/GIS and CPP as either a primary or supplemental source of retirement income. This has galvanized public leaders into taking action and both federal and provincial

finance ministers met on December of 2009 in the Northwest Territories to discuss possible solutions. Thus far, the only proposal, which is being contemplated by the BC and Alberta finance ministers, involves a supplemental federal pension plan that includes an opt-out option and that will latch onto the current CPP.

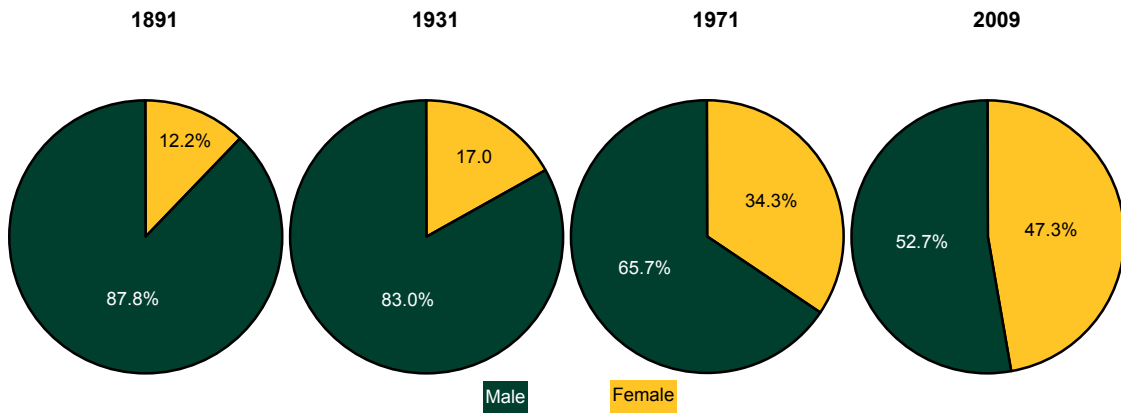
Thus, it is evident that the Canadian labour market faces some very significant challenges in the years ahead and that it is crucial that we overcome all of these issues. The Canadian workforce is the most culturally diverse and dynamic in the world and there is much to be gained by utilizing everyone to their full potential, but the blinding speed with which the workplace is changing requires flexibility on the part of employers.

## Endnotes

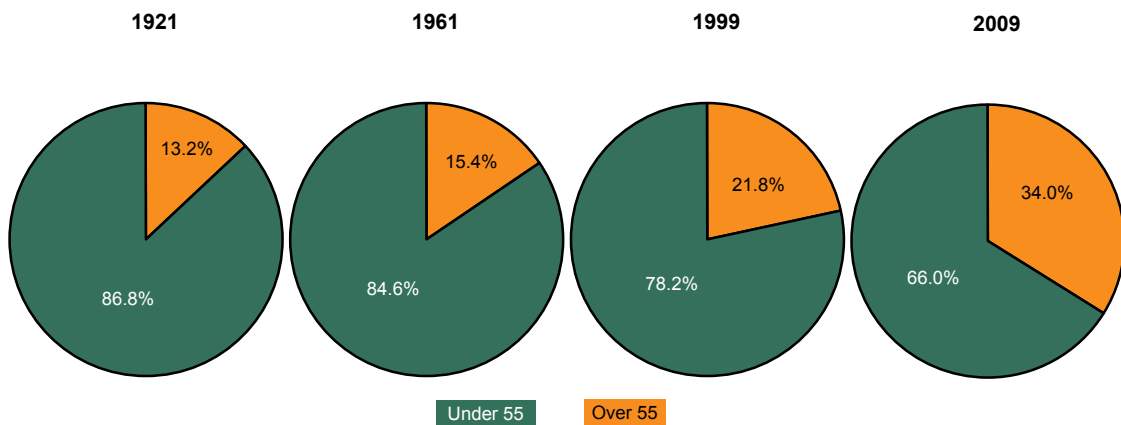
- 1 Banerjee, Robin & Robson, William. July 2009. "Faster, Younger, Richer?" C.D. Howe Institute Commentary; [http://www.cdhowe.org/pdf/commentary\\_291.pdf](http://www.cdhowe.org/pdf/commentary_291.pdf)
- 2 This figure likely understates Canadian productivity, according to John Baldwin of Statistics Canada. Both Canada and the U.S. report private sector business hours differently and the method of deflating real output does not account for price effects across the border. Baldwin adjusts for such factors and estimates that the relative productivity of Canadians can be as much as 6 percentage points higher than the OECD estimates; therefore, pegging Canadian productivity at closer to 80% of U.S. productivity rather than 73.6% as in the body of this report.
- 3 CIBC World Markets' periodically produces their Employment Quality Index, and CAW economist Jim Stanford has made some attempts.
- 4 Service Canada: Job Futures 2007
- 5 If we subtract the amount of needs-based subsidies received by those in the lowest income quintile by the amount received by those in the highest income quintile, we arrive at a \$925 difference.
- 6 See TD Economics' report on the literacy of immigrants in Canada: [http://www.td.com/economics/special/ca0909\\_literacy.pdf](http://www.td.com/economics/special/ca0909_literacy.pdf)
- 7 Drolet, Marie. 2001. "The Persistent Gap: New Evidence on the Canadian Gender Wage Gap." Statistics Canada.
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- 13 Ipsos-Reid poll of working baby boomers: <http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=4654>
- 14 National Council for Welfare. November 2009. "Poverty Profile 2007", National Council for Welfare; <http://www.ncwcnbes.net/documents/research-publications/ResearchProjects/PovertyProfile/2009/Poverty%20Profile%204%202007%20E.pdf>
- 15 Please see TD Economics' report, "Is Canada's Employment Insurance Program Adequate?": [http://www.td.com/economics/special/gb0409\\_EI.pdf](http://www.td.com/economics/special/gb0409_EI.pdf)
- 16 For further discussion, see TD Economics' report, "From Welfare to Work in Ontario: Still the Road Less Travelled": <http://www.td.com/economics/special/welfare05.pdf>
- 17 Human Resources & Social Development Canada. "Addressing Work-Life Balance In Canada"; [http://www.hrsdc.gc.ca/eng/lp/spila/wlb/awlb/01table\\_of\\_contents.shtml](http://www.hrsdc.gc.ca/eng/lp/spila/wlb/awlb/01table_of_contents.shtml)
- 18 Duxbury, Linda, Higgins, Christopher, & Thomas, John. 2006. "Time Thieves and Space Invaders: Technology, Work, and the Organization." Journal of Organizational Change; vol. 19:5.
- 19 MISWAA. May 2006. "Time for a Fair Deal", St. Christopher House; <http://www.stchrishouse.org/get-involved/community-dev/modernizing->

**Annex A: The Changing Composition of the Workforce: A Timeline**

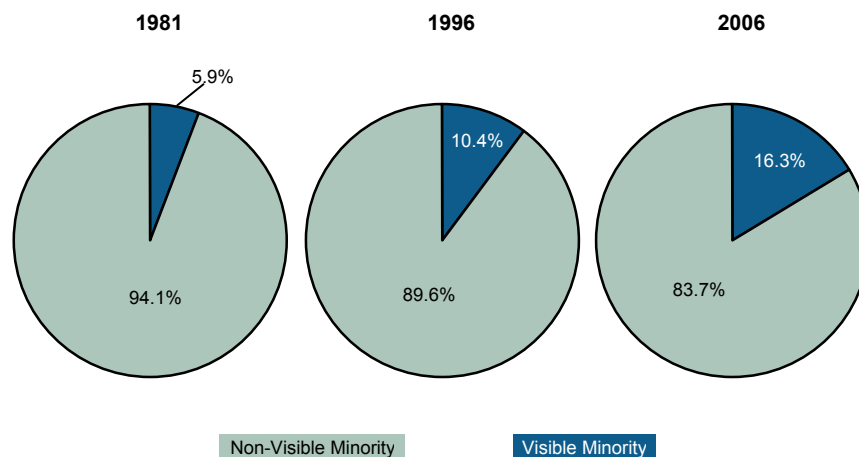
**Female Share of Labour Force**



**Share of Labour Force Aged 55 and Over**



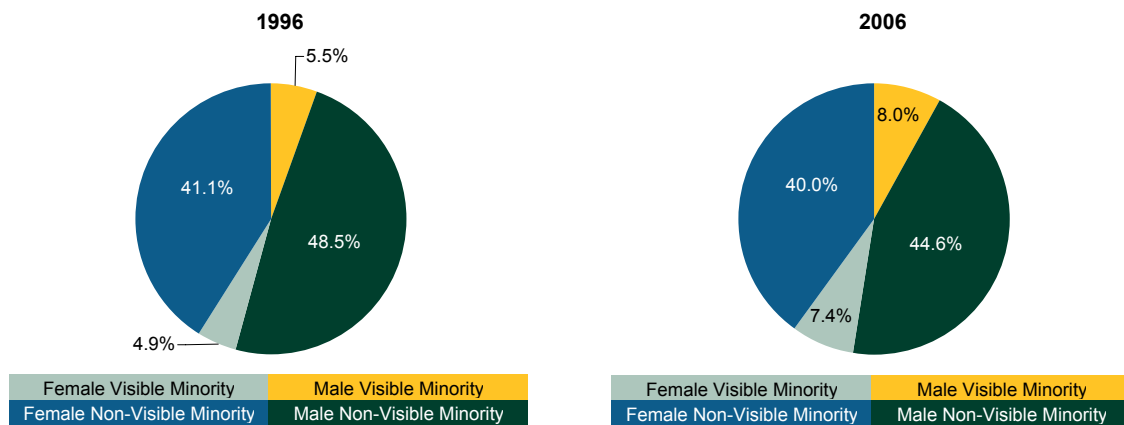
**Visible Minority Share of Labour Force**



Source: Statistics Canada, Historical Statistics of Canada, Censuses of Population

**Annex A Continued: The Changing Composition of the Workforce: A Timeline**

**Canadian Labour Force Breakdown**



**Source: Statistics Canada, Censuses of Population**



**Annex B: Gender Distribution of Occupations and Associated Wages**

<b>GENDER DISTRIBUTION BY OCCUPATION IN CANADA, 2009</b>					
<b>NATIONAL MEDIAN WAGE: 718.42</b>					
<b>Male Overrepresentation*</b>	<b>Median Weekly Wage Rate</b>	<b>Female Overrepresentation*</b>	<b>Median Weekly Wage Rate</b>	<b>Approximately* Gender Neutral</b>	<b>Median Weekly Wage Rate</b>
Senior management (70%)	1604.36	Financial, secretarial and administrative occupations (82%)	730.58	Professional occupations in business and finance	1082.09
Other management occupations (64%)	1229.88	Clerical occupations, including supervisors (71%)	631.14	Occupations in art, culture, recreation and sport	665.38
Wholesale, technical, insurance, real estate sales specialists, and retail, wholesale and grain buyers (64%)	826.16	Professional occupations in health, nurse supervisors and registered nurses (77%)	1107.33		
Occupation in protective services (79%)	827.50	Technical, assisting and related occupations in health (84%)	660.63		
Contractors and supervisors in trades and transportation (96%)	1165.04	Occupations in social science, government service and religion (71%)	795.06		
Construction (96%)	853.61	Teachers and professors (65%)	1049.58		
Other trades occupations (95%)	915.84	Retail salespersons, sales clerks, cashiers (68%)	310.52		
Transport and equipment operators (92%)	795.19	Chefs and cooks, and occupations in food and beverage service (61%)	356.48		
Trades helpers, construction, and transportation labourers (88%)	624.11	Childcare and home support workers (93%)	443.71		
Occupations unique to primary industry (82%)	686.18	Sales and service occupations not elsewhere classified (56%)	370.10		
Machine operators and assemblers in manufacturing, including supervisors (71%)	710.56				
Labourer in processing, manufacturing and utilities (58%)	537.80				

\*Overrepresentation indicates that more than 55% of people employed in that industry are of a particular gender; the majority gender share in each occupational category is included in parentheses; highlighted occupations indicate a higher median weekly wage than the national median; Source: Statistics Canada



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