SHIFTING THE NARRATIVE IN ONTARIO’S AGING WORKFORCE

Reframing the discussion on skills gaps and the aging workforce
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EXECUTIVE SUMMARY

The shifting distribution of Canada’s population toward an aging workforce has led to a series of concerns about the future of the country’s economic growth and the stability of the labour market. It became clear in the 1990s that the baby boom generation was making up an increasing proportion of Canada’s working population, a trend that was anticipated to continue into the first decades of the new millennium. Responses from policymakers, analysts, and businesses was to proclaim an impending labour shortage as older workers were anticipated to leave the workforce.

This began a protracted period of distress and increased focus on the shifting labour market. Markedly, as evidence that Canada’s overall working population is not shrinking but growing—albeit at a slower pace than in the past—has led analysts to shift their focus on skills shortages and gaps as the greatest threats to workforce stability and economic growth. This paper outlines the changing narratives that have followed the labour shortage concerns in the 1990s to the present concerns surrounding the health of Canada’s labour market.

Although the skills gap is not a new concept, it has recently taken centre stage as one of the key problems facing Canadian businesses in the recent and coming decades. The term skills gap paints broad brushstrokes that can cover both hard and soft skills, glossing over definitions, and presenting analysts with a blurry picture of Canada’s workforce and labour market needs. While much of the discussion around the skills gap has focused on soft skills, which typically refer to communication, problem-solving, and creativity, among others, there is no consensus on a formal definition of these skills. Nor is there a consistent tool or methodology for assessing these skills across different sectors and industries that is accessible to businesses or analysts. The broad definitions applied to both skills and skills gaps have hindered progress in this area, leaving a confusing trail of literature that calls upon policymakers, education institutions, and employers to tackle a problem that lacks quality data to support proposed actions.

Compounding this inaccuracy is the differences in skills, needs, and desires among members of the workforce. This paper focuses on two large cohorts: the 55+ category, and younger workers who are entering the workforce or have recently gained full-time employment. The shifting distribution of the working age population in Canada signals changes in the workforce that must be acknowledged and that require us to respond with policies and programs that support workers as well as employers. Further, analysts and policymakers need to be sensitive to different experiences and needs of a multigenerational workforce. Such an approach needs to transcend mere supply or demand-driven solutions and take a more holistic approach to understanding the workforce.

In teasing out the complexities of the skills gap narrative as they relate to these two cohorts, I will also introduce other factors that contribute to the changing nature of work that may not be fully recognized or addressed in the literature. A potentially significant factor is the trend that has seen capital rather than labour, as a growing proportion of GDP, not only in Canada but among all OECD countries.

1. I acknowledge that I paint my own broad strokes with this review, but justify my decisions by attempting to take on some of the assumptions and prejudices that have inaccurately defined the conditions of our current labour market.
   http://www.oecd.org/els/emp/EMO%202012%20Eng_Chapt er%203.pdf
Canada has the youngest population among the G7 countries. Despite this, there has been an outsized reaction to the aging of the baby boom generation. Several characteristics of this generation, and of the workforce more generally, have supported the view that Canada’s workforce is facing a crisis despite consistent evidence to the contrary. As the participation rate of women increased steadily in the latter half of the 20th century, working lives also began to extend, in part due to improved health. This trend is partially responsible for the reverse of the earlier and earlier retirement rates that marked the mid-20th century. With the time of retirement now stretching from the once-mandatory 65 to later and later years, accurate predictions of the boomers’ future participation rates in the workforce became increasingly difficult. This led to a series of worst-case scenario predictions in which the boomers, who make up a third of Canada’s working population, would retire all at once and leave an unfillable gap in the labour market.

The fear that baby boomers would retire en masse, or that even by retiring at a slower rate would initiate a “brain drain” process, is proving to be an unfounded concern. Belanger et al. note that the Canadian labour force is anticipated to continue to grow after 2031, and draw attention to a 2015 report by McDaniel, Wong, and Watt that found “there is no evidence of a national labour shortage in Canada in the coming decades, although regional and occupational shortages may occur. Even if the workforce is aging, delayed retirements, higher female participation rates, and current immigration intakes should allow for a continued growth of the total workforce.”


As evidence continues to favour a labour growth outlook rather than a shortage, the literature on Canada’s workforce has shifted to address a perceived absence in skills among working age Canadians. With the continuing de-industrialization of the workforce and the growing emphasis on the technology-driven knowledge economy, employers and policymakers alike have responded by homing in on different gaps that might account for lost productivity and GDP. It is perhaps natural that once the literature began to move away from a labour shortage narrative, that it turned its focus from the perceived problems of an aging population to younger generations.

Surveys taken throughout the first two decades of the new millennium identify employer dissatisfaction with the skills of their incoming and younger employees. The “Need to Make Skills Work” report, published by the Canadian Conference Board of Canada outlines the economic cost of skills gaps in Ontario, estimating it to be at $24.3 billion in foregone GDP. The authors note that “although Ontarians are among the most highly educated in the OECD—with many having obtained post-secondary diplomas and degrees—too few are employed in occupations that utilize the full extent of their education and skills.” The authors suggest that Ontarians, and more broadly, Canadians, are misdirecting their education and a correction is necessary to address this “mismatch”. However, this misalignment with job requirements and workers’ skills may signal underemployment, while other literature points to this trend as signalling greater competition for lower-skilled jobs. It might also indicate inadequate access to training to support the necessary transitions in a transforming labour market environment.

Employer investment in training and development has seen a steady decline since the mid-1990s, exacerbating this perceived mismatch. Further, several reports note that a skills gap may not actually exist across the entire labour market, but point to specific sectors that are facing increased demand or rapid transformation. This includes professions like nursing, which has seen a rising demand with the aging population, as well as IT engineers, in response to the growing need to information technology management. Rather than a wholesale lack of talent or skills, specific sectors, due to a multitude of variables, are subject to disparities in demand and labour supply.

Such shortages have typically lasted less than a year, which suggests that there is no systemic crisis in labour or skilled workers. Despite this, it would be prudent upon analysts to monitor specific industries that have identified an increased need for workers or those that require upskilling their current workforce. Any response to the mislabeled “skills crisis” must be grounded in evidence from particular sectors and are focused on both employer and worker needs. A wholesale approach that blankets blame and mismanagement as a failure of the education of the workforce points to the misdirection of the term “skills crisis” and the general lack of quality evidence on skills gaps and labour shortages.


12. Ibid. p. 104.

The tension in the literature over the source of the perceived skills gap, or even the existence of one, draws attention to the need for better quality labour market information\textsuperscript{14}. The data is further confused as there is no universally accepted definition for what constitutes a skills gap, which can conflate hard and soft skills or call on this broad term without defining it at all. Relying on businesses to provide insight without qualifying it against more rigorously obtained evidence, has led to the perpetuation of the myth that the labour market in Canada is in crisis. Whether it is a shortage of labour or skills, there is no conclusive evidence to justify the widespread articulation of a skills gap by employers and analysts without taking a closer and more comprehensive look at the issue.

In the next section, I briefly outline areas of focus that are often left out of the labour market discussion in Canada or that are taken as independent factors in the conversation over the future of Canada’s workforce. This includes the role of automation on the future of jobs as well as the increasing share of capital as a proportion of our GDP. Automation, especially, is treated as a causal rather than symptomatic of larger systemic trends and concerns with regards to the labour market.

\textsuperscript{14} Both Handel (2012), and the “Building the Workforce of Tomorrow” report call for more labour market information to better understand the issue at hand. In recognition of this, the Ontario government has launched the Local Employment Planning Councils pilot to better gather more granular, community-specific information about the different needs of Ontario’s businesses and workforce. See http://www.tcu.gov.on.ca/eng/eopg/programs/lepc.html

Automation is a large driver of workplace changes and transformation. Current responses to automation, such as reskilling, seek to alleviate or pivot entire industries of workers into other jobs. The responsibility for reskilling typically falls on workers themselves. This is a reactionary model that does not focus on the needs of workers, but chases the demand-side of the employment concern without incentivizing employers to take ownership for their existing workforce. Educational institutions are pressured to produce highly specialized, job-ready workers, rather than producing critical thinking and adaptable graduates. In the face of technical obsolescence, workers are not equipped with the learning tools necessary to pivot to new professions without significant personal investment. Promoting an overall culture of continuous learning with the essential skills required to support this culture would go a long way in creating a more adaptable workforce that is resilient to technological changes.

If automation signals a potential problem with the structure of post-secondary education, the lack of employer investment in training and development is also a concern for creating an adaptable workforce. Like automation, this issue is well-acknowledged in the literature, but viable solutions have not been forthcoming. A key issue related to lack of employer investment is the rising precarity of work. By this, I mean increased instability and the decrease of long-term, full-time employment. This has also been referred to, somewhat euphemistically, as the increased mobility of the workplace.

Another important factor to consider is the increasing share of capital to national income and the correlated decline of the labour share. This has led to a polarization in low- and high-skilled work with a hollowing out of intermediate-skilled occupations. This has increased competition for low-skilled work, bumping up the education requirements for these positions, leading to over-qualified candidates at the lower end of the skilled labour market and the displacement of less educated workers.16

Analysts that seeks to understand the landscape of Canada’s labour market and workforce should take into consideration these factors if they wish to provide a richer context for their findings. They should further seek to understand the relationship between automation, decreasing labour shares in national income, and the increasing precarity of work in contributing to the disposition of current labour market trends.

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Challenges of an Aging Workforce Population

With a review of the context in which the conversation of a labour and skills shortage emerged, we can look at some of the factors that are known to impact workers and the workplace environment. Although the accuracy of reports claiming a skills shortage or gap are being called into question, this does not mean that all is well with Canada’s workforce. There is still much that can be done to improve the working conditions of the aging workforce and support boomers and the 55+ cohort in the changing landscape of work in the 21st century.

Older workers are exposed to contradictions in the workplace regarding their value. On the one hand, they are considered reliable and experienced employees, but on the other, they are perceived as lacking in certain skills and flexibility17. Little has been done to increase investment in training overall, but older workers are especially susceptible to exclusion in this area. Employers think there is not enough return on investment with educating or training their older workers18. They are often left out of the training and development discussion, with less opportunity to participate in these activities. Instead of engaging in a conversation about how to adapt to the extended working lives of older workers and their needs, the focus has been centred on how to train their replacements, side-stepping this trend and favouring the inaccurate outlook of an impending labour market shortage as the model on which to act.

There are two implications for employers’ views toward investment in older workers. The first is that employers lack awareness of the benefits to investing in employee development in general, and especially in older workers. The second is that employers are not actively communicating with their older workers to understand their employment (or retirement) intentions. SMEs face particular strain with regards to supporting their employees19. This results in a lost opportunity to address potential transitional work structures and can isolate older employees, possibly resulting in a net loss of organizational knowledge when they do eventually leave the workplace. And yet, the extended working life of Canadians calls for a serious deliberation and experimentation in transitional or alternative work structures that meet the needs of workers and employers alike. The trend for older workers’ continued participation in the workforce is likely to continue. It is past time for government and businesses to address this changing reality together instead of kicking the can down the road by focusing on short-term strategies.

A shift in organizational culture that emphasizes lifelong learning can do a great deal in combatting negative perceptions of older workers and foster a stronger multigenerational working culture. This would, in turn, increase organizational knowledge sharing and potentially increase the productivity and engagement necessary for businesses to grow and remain competitive. This would benefit the existing 55+ cohort as well as support employees through their careers, sending a strong message to those who are entering the workforce that they are valued and make valuable contributions to the labour market.


Canada ranks among the highest in post-secondary education in the OECD. Yet, there is a persistent concern around the lack of skills in our graduates entering the workforce. Part of the problem with this disparity lies in the changing landscape of both work and education. As noted above, employers are investing less and less in employee training and development, with the expectation that post-secondary institutions take on the role of training for specific industries or roles. Several surveys of employers in Canada, and specifically Ontario, have claimed that candidates lack certain soft skills such as communication, critical thinking, and creativity\(^\text{20}\). Meanwhile, there is a vein of literature that seeks to pressure the education system to address these shortfalls while calling for the defunding and de-emphasizing of the very programs and courses that build the soft skills employers are now after\(^\text{21,22}\).

It is beyond the scope of this paper to fully unpack the relationship that has evolved between education and employment, but it is worth noting the double standard that has arisen with regards to job-specific training and more general soft skills acquisition. The focus on job-ready candidates out of school may further pigeon-hole applicants in a changing workforce, as they are perhaps seeking specializations in soon-to-be obsolete fields, technologies, or practices. Meanwhile the increased emphasis on developing specific technical skills comes at the expense of broader critical skills and problem solving. Further, responses from specific industries that identify a shortage in a particular skill or position could also lead to preparing far more qualified candidates than there are jobs and leaving candidates without viable alternatives\(^\text{23}\). This suggests that analysts and policymakers must proceed with caution and gather more industry-specific labour information that applies a knowledge of graduates and potential graduates who are planning to enter into these industries before attempting to address a perceived shortage or gap.

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Employer investment has been decreasing since the mid-1990s, despite strong evidence of the benefits investment in training offers to employers. This investment has not decreased evenly across all businesses and sectors; larger businesses tend to invest more than small and medium enterprises (SMEs). Further, employers are concerned about poaching and consider investment a risk. This comes in response to the changing landscape of Canada’s workforce with increased job precariousness for younger workers as well as older workers.

Workers are increasingly exposed to more precarious forms of labour such as part-time, temporary or contract work. The shift toward short-term employment acts as a disincentive for employers to invest in their employees, as they may be poached or choose to move on to seek better pay or more stability. This impacts younger workers as they are unable to attain the same job security or investment as older generations have in the past, stunting career development.

The benefits of training and employee development are directly connected to a business’ success as well as employee job satisfaction. Ranging from productivity, employee retention, innovation and entrepreneurialism, the benefits to employers are manifold and well-documented. But resistance to these practices are endemic and may signal a perceived or real fiscal squeeze, leading employers to seek short-term, inexpensive solutions at the


Conclusion

The common thread amongst the literature on labour and skills shortages is the concern over Canada’s workforce. Recent efforts have led to the creation of workforce research and management initiatives, such as the Ontario Centre for Workforce Innovation in 2016. The increasing focus on managing the workforce suggests that the market cannot be expected to provide enough for all without being closely attended to. The matching of skills and jobs, whether through a demand or supply side approach, is becoming a professional as well as political endeavour.

In light of this new focus on the workforce, which has emerged in the wake of an historic population shift, rapid automation, and increasing income inequality, it is prudent upon analysts and policymakers to seek to understand these labour market trends in as much detail as possible. This requires more fine-grained data on local labour markets as well as a coming to deeper understanding of the global context in which international competition for business takes place. It must also be sensitive to the different needs of the many stakeholders who participate in and are impacted by the workforce.

There is no magic bullet that will unify the skills of the workforce with available jobs. No single program will solve the needs of employers, older and younger workers, large businesses or SMEs. However, a concerted effort should be made in understanding how all of these interrelated actors interact and affect one another. The nature and distribution of the workforce will continue to change, and any solution must be adaptable to these conditions while remaining flexible enough to make room for more appropriate solutions as they become necessary.
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