CANADIAN EMPLOYERS HAVE BEEN BUSY

Employment level, indexed to 2007 Q4 = 100

- Canada
- G7
- U.S.

Source: Haver Analytics
MOST SECTORS HAVE BEEN ADDING TO PAYROLLS

- Manufacturing
- Agriculture
- Utilities
- Other Services
- Information, Culture and Recreation
- Transport and Warehousing
- Trade
- Accommodation and Food Services
- Total
- Business, Building & Other Support Services
- Public Administration
- Finance, Insurance, Real Estate
- Educational Services
- Health Care and Social Assistance
- Forestry, Fishing, Mining, Oil & Gas
- Professional, Scientific & Technical
- Construction

% annual change in employment, 2003-13

THE WEST HAS LED JOB CREATION

Average Annual Employment Growth, %

Source: Statistics Canada
CANADA’S JOB MARKET HAS NOT RECORDED U.S.-STYLE POLARIZATION


Source: TD Economics, Statistics Canada, BLS, David Autor (MIT)
SENIORS INCREASINGLY LEAVING THEIR THUMBPRINT ON THE LABOUR MARKET

Share of Total Job Gains and Labour Force Growth by 65+, %

- Employment
- Labour Force

Source: Statistics Canada
YOUTH, BY CONTRAST, HAVE YET TO RECOVER FROM THE RECENT DOWNTURN

Source: OECD, Statistics Canada
TEMPORARY JOBS GRADUALLY BECOMING MORE IMPORTANT

% of total employment

Source: Statistics Canada
IS SUPPLY A GROWING CONSTRAINT ON EMPLOYERS’ ABILITY TO HIRE?
WHY ALL THE CONCERN ABOUT SKILL IMBALANCES ALL OF A SUDDEN?

- **Change in industrial mix** – workers skills not aligned with those demanded.

- **Regional growth differences** – shifts have led to widening economic growth differentials across the country.

- **Rapid advancements in technology** – keeping skills current

- **Education system pumping out the wrong graduates** – students are ill-equipped to meet job market demands.

- **Challenges of under-represented groups** – women, new immigrants, Aboriginal peoples, and persons with disabilities often encounter labour market integration barriers.

- **Foundational skill imbalances** – job candidates lack foundational and soft skills which are imperative to job success.
WHAT ABOUT OVER-QUALIFICATION e.g., DOCTORS DRIVING CABS?

Overqualification rates of Highly Educated Employees Aged 15-64, 2009-10

Source: Organisation for Economic Co-operation and Development (OECD).
CANADA FARES BETTER ON LABOUR MARKET OUTCOMES FOR RECENT GRADS

Unemployment Rate Among Those Aged 25-29, %

Source: OECD
GRADUATE LABOUR MARKET OUTCOMES RELATED TO FIELD OF STUDY

Note: Field of study based on highest level of education attainment. Source: Statistics Canada.

Employment rate in 2011, %
LABOUR MARKET OUTCOMES WEAKER FOR LIBERAL ARTS GRADS BUT SOME CONVERGENCE OVER TIME

PUTTING THE THEORY OF MISMATCH TO THE DATA TEST
SUPPLEMENTARY UNEMPLOYMENT MEASURES POINT TO LABOUR SURPLUS

Employment Rate, %

Source: Statistics Canada
Statistics Canada's vacancy rate has been relatively flat.
ALTERNATIVE MEASURE OF VACANCIES POINTS TO INCREASED MISMATCH

Source: Statistics Canada, WANTED Analytics; Calculations by TD Economics.
UNEMPLOYMENT RATES & VACANCIES NEED TO BE LOOKED AT SIMULTANEOUSLY

Source: Canadian Federation of Independent Business, Statistics Canada.
SOME NUMBERS AROUND PERCEIVED AREAS OF SURPLUS & SHORTAGES

<table>
<thead>
<tr>
<th>PERCEIVED SHORTAGE AND PERCEIVED SURPLUS (2013)</th>
<th>Vacancy Rate 2009 (%)</th>
<th>Vacancy Rate 2013 (%)</th>
<th>Average Hourly Wages, Ann. Avg. % Chg., 2010-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shortage</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Science, Engineering &amp; IT</td>
<td>2.8</td>
<td>3.9</td>
<td>2.0</td>
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<tr>
<td>Trades</td>
<td>4.4</td>
<td>5.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Health</td>
<td>2.2</td>
<td>2.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>3.1</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Surplus</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing-Related/Labourers</td>
<td>2.3</td>
<td>3.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Teachers</td>
<td>1.8</td>
<td>3.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Clerical</td>
<td>1.0</td>
<td>1.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Sales and Service</td>
<td>2.6</td>
<td>3.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>

*Shortage: Science, Engineers, IT professionals, Trades, Health, Accountants, Architects, Occupations in Mining/Oil and Gas.

**Surplus: Manufacturing-oriented & Labourers, Teachers, Clerical Occupations, Sales and Service

Source: Statistics Canada, WANTED Analytics; Calculations by TD Economics.
A FEW PROVINCES SHOWING REAL LABOUR MARKET TIGHTNESS

Source: Statistics Canada, WANTED Analytics; Calculations by TD Economics.
BUT, WAGE PRESSURES HAVE BEEN SURPRISINGLY TAME, EVEN OUT WEST

Average Wage Growth 2009-2013 in Shortage Occupations* in All Provinces, %

Canada
B.C.
Alberta
Saskatchewan
Manitoba
Ontario
Québec
Atlantic

* Based on which are perceived in shortage in Canada, not necessarily in each province individually.
Source: Statistics Canada, WANTED Analytics; Calculations by TD Economics.
Source: Statistics Canada; Forecast by TD Economics as of September 2013.
## ARE SKILL IMBALANCES POISED TO WORSEN GOING FORWARD?

### 20 Largest Projected Imbalances Between Labour Demand and Labour Supply (2011-2020)

**Occupations where projected demand is greater than projected supply (shortage of workers)**

- Administrative & Regulatory Occ's
- Secretaries, Recorders & Transcriptionists
- Cleaners
- Administrative Support Clerks
- Contractors / Operators / Supervisors: Agriculture
- Nurse Supervisors & Registered Nurses
- Finance & Insurance Administrative Occ's
- Auditors / Accountants / Investment Professionals
- Insurance & Real Estate Sales Occ's
- Human Resources & Business Service Professionals
- Sales & Service Supervisors
- Sales Rep's, Wholesale Trade
- Other Sales & Related Occ's
- College & Other Voc. Instructors
- Electrical Trades & Telecommunications Occ's
- Paralegals / Social Services Workers / etc.
- Health / Education / Social & Community Services Mgr's
- Physicians / Dentists / Veterinarians
- Security Guards & Related Occ's
- Technical Sales Specialists, Wholesale Trade

**Source:** Employment and Social Development Canada (ESDC).

### 20 Largest Projected Imbalances Between Labour Supply and Labour Demand (2011-2020)

**Occupations where projected supply is greater than projected demand (surplus of workers)**

- Computer and Info. Sys. Professionals
- Other Assembly & Related Occ's
- Recording / Scheduling / Distributing Occ's
- Machining / Metalworking / Woodworking Operators
- Carpenters & Cabinetmakers
- Managers in Retail Trade
- Other Construction Trades
- Chefs & Cooks
- Policy & Program Officers
- Agriculture & Horticulture Workers
- Library, Correspondence & Related Info. Clerks
- Retail Salespersons & Sales Clerks
- Athletes, Coaches, Referees & Related Occ's
- Mechanical, Electrical & Electronics Assemblers
- Computer & Info. Sys. Technicians
- Civil / Mechanical / Electrical / Chemical Engineers
- Machine Operators: Fabric / Fur / Leather
- University Professors & Assistants
- Plumbers, Pipefitters & Gas Fitters

**Source:** Employment and Social Development Canada (ESDC).
Results are sensitive to the assumptions made.

Status-quo projections do not account for emerging occupations and/or new technology.

Flows of permanent and temporary immigrants are large and difficult to predict.

COPS projections aggregated to 3-digit NOC code; still may be variability for market demand within an occupation.
STRATEGIES AND POLICIES TO MITIGATE CURRENT & FUTURE SKILL IMBALANCES
LABOUR MARKET PARTICIPANTS

- Employers
- Educators
- Canada’s Labour Market
- Government
- Workers
NON-FINANCIAL EMPLOYEE INCENTIVES INCREASINGLY EXPLORED

SIZEABLE OPPORTUNITIES TO RAMP UP BUSINESS INVESTMENT IN CAPITAL

Annual % Change

Source: Statistics Canada, Haver Analytics.
Forecast by TD Economics as of September 2013.
ENCOURAGE & INCENTIVIZE PROFESSIONAL DEVELOPMENT TRAINING

Source: Conference Board of Canada.
TEMPORARY FOREIGN WORKERS HAS BEEN RAISING EYEBROWS OF LATE

Source: Citizenship and Immigration Canada
RECENT IMMIGRATION REFORMS AN ATTEMPT TO MAKE SYSTEM MORE ACTIVE

Current Target: 250,000

Source: Statistics Canada
...as integration for new Canadians remains an issue

Source: Longitudinal Survey of Immigrants to Canada, 2005.
GREATER FOCUS ON APPRENTICESHIP COMPLETION

2007-2011 Annual Growth of Registered Apprenticeship Training, by Major Trade Group, %

- User Support Technicians
- Landscape Related
- Food Service
- Early Childhood Educators and Rel.
- Plumbers and Related
- Electronics and Related
- Metal Workers (Other)
- Other
- Total Major Trade Groups
- Heavy Duty Equipment
- Electricians
- Carpenters
- Welders
- Automotive service
- Machinists

Source: Statistics Canada
FLEXIBLE, ADAPTABLE & INTEGRATED HIGHER EDUCATION SYSTEM A MUST

PSE SYSTEM MUST ALIGN WITH JOB SKILLS

2001-2011 Annual Average Growth of Post-Secondary Graduates, by Program, %

- Health Professions/Occupations
- Fine & Applied Arts
- Engineering/Applied Science
- General Arts & Science /Interdisciplinary Studies
- Social Sciences and Related
- Total
- Humanities and Related
- Agricultural/Biological Sciences
- Education/Recreation/Physical Education
- Mathematics/Physical Sciences

Source: Council of Ontario Universities
Our findings pour some cold water on perceptions that Canada’s job market is currently facing a skills mismatch crisis.

Some evidence of tightness, but lack of a real smoking gun.

Difficult to conclude whether skills challenge is significantly worse today than it was 5-10 years ago.

Number of forecasters have issued dire shortage warnings, but analyses are highly sensitive to assumptions made.

While we find no evidence of an imminent crisis, Canada can do much better to improve the efficiency of its labour market.

A more skilled workforce and efficient labour market is vital to achieving improved productivity and economic growth.
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