



# The Cost of Ontario's Skills Gap

## The Need to Make Skills Work

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**Vice President, The Conference Board of Canada**

**June 21st, 2013**



## Skills Gaps Threaten Ontario's Economic Potential

- Ontario employers face labour and skills shortages that threaten competitiveness, economic growth, and prosperity.
- By 2025, aging and slow population growth could produce a **labour** shortfall of 364,000 workers.
- Employers are already reporting **skills** shortages.





- But some sectors have labour and skills *surpluses*—including low-skilled manufacturing, clerical work, and teaching.
- **Skills mismatches** today.
- Many Ontarians are not being trained with the right skills for success in today's economy.



- Overall, the *skilled* fare better than the non-skilled.



- **81 per cent** of jobs lost during the recession were lost by people who lack post-secondary credentials.



“A serious and growing skills mismatch is cutting Ontario’s growth and contributing to poverty. Without a concerted effort, Ontario’s unskilled workers will see their opportunities drop even faster, while employers have even more difficulty in attracting and retaining the talent they need.”

Ontario’s Workforce Shortage Coalition



“Unless we adopt proactive policies now, we will face a world in which there will be a lot of people without jobs and simultaneously an even larger number of jobs without people.”

Dr. Rick Miner



- What is the size, shape, and impact of the *skills gap* in Ontario?
- What is the *cost* to the economy?
- What occupations, skills, and post-secondary credentials will be required to power *economic growth* in Ontario?
- What *actions* can be taken by leaders in business, government, and education to develop the skilled labour force we need?



- The Conference Board conducted a study to advance the skills discussion. It involved:
  - **A survey of 1538 Ontario employers.**
    - The respondents employ over 760,000 people—13.5% of the total workforce in the province.
  - **40 in-depth interviews** with employers and labour market experts.
  - **Data analysis** to estimate the economic impacts of skills gaps.



- Between 1990 and 2012, the employment rate for individuals with only “some PSE or less” **dropped from 58 to 48 per cent.**
- The lower employment rates of these less-skilled workers is costing the Ontario economy as much as **\$24.3 billion annually in forgone GDP.**



- Up to **\$4.4 billion** in additional federal tax revenues and **\$3.7 billion** in provincial tax revenues annually may have been achieved if more people in this cohort of workers had increased their skills.



- In addition, many individuals have skills and educational qualifications that are under-utilized in the economy (e.g., “university graduate baristas, taxi drivers”).
- The **underutilization of skills** is costing the province up to **\$4.1 billion in forgone GDP**—that is, if all employees were in jobs/occupations that used all their skills and education fully.



- If these skills were fully utilized:
  - Federal tax revenues would increase by **\$747 million** annually.
  - Provincial tax revenues would increase by **\$627 million** annually.



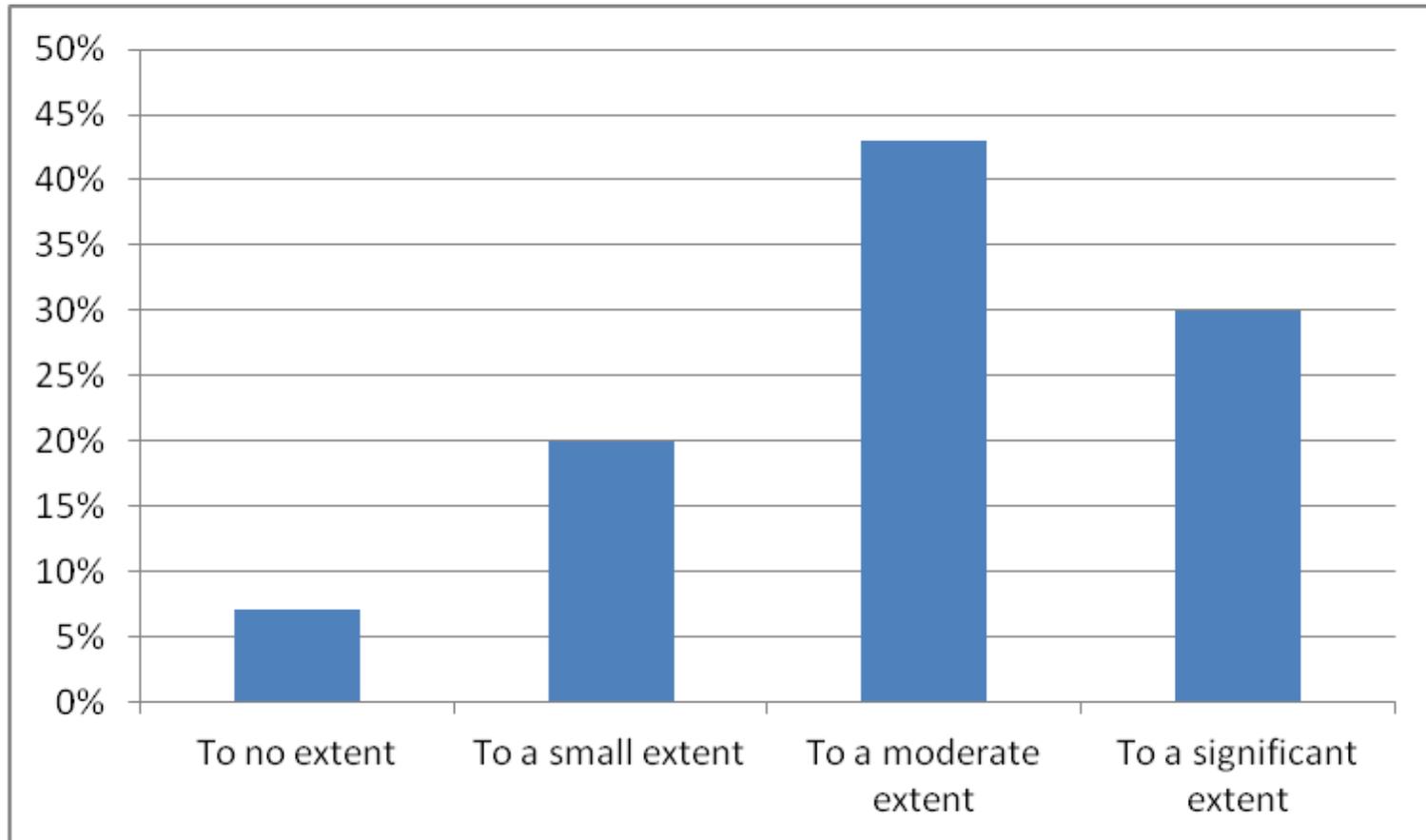
## Key Findings

- Ontario employers are *very concerned* about skills shortages.
- They identify many *negative impacts* to business performance.
- Skills gaps result in *lower* productivity and lower product/service quality, according to most.

# Changes in Employment



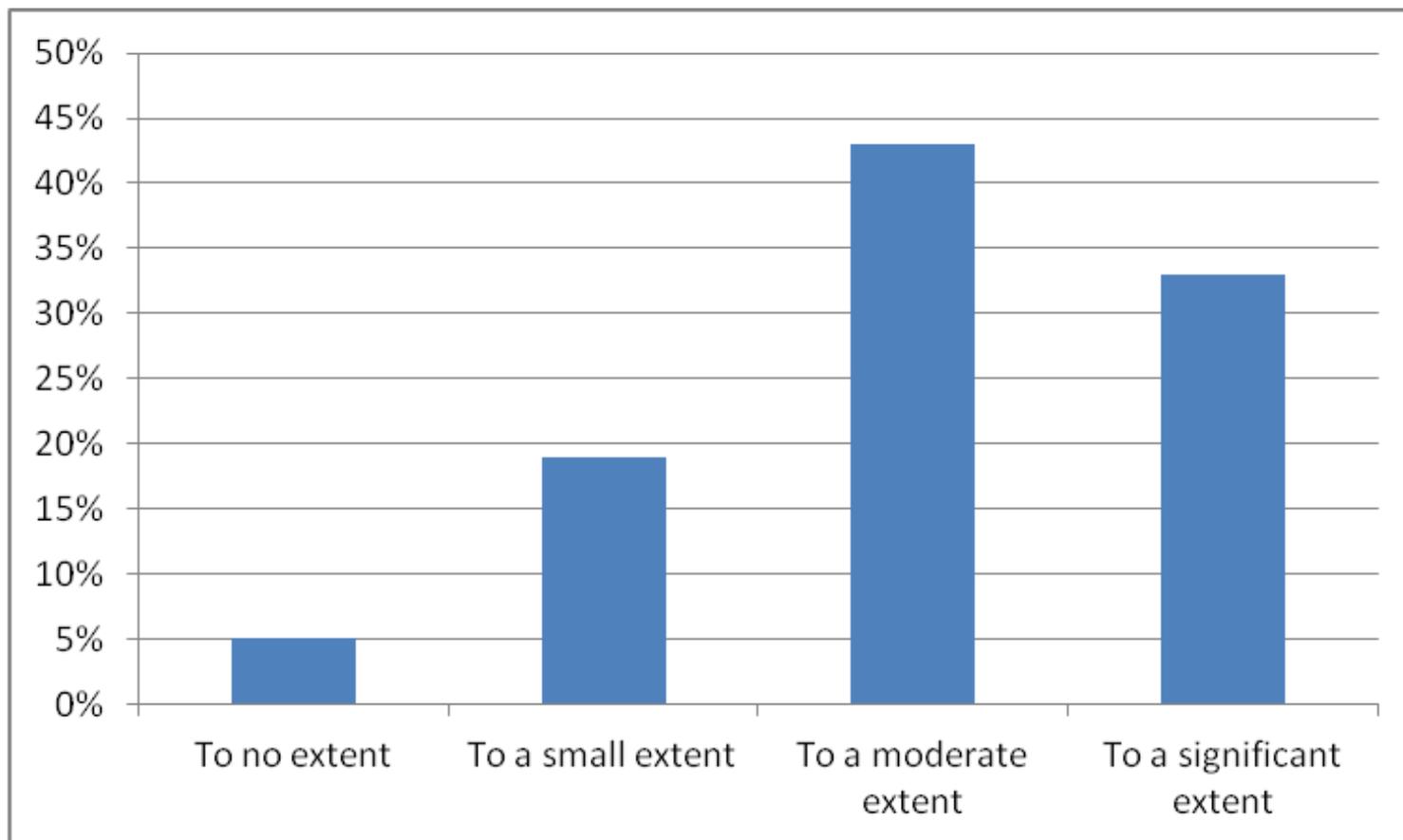
**To what extent has your company shifted towards a higher skilled workforce over the past decade?**



# Higher Skills Trend



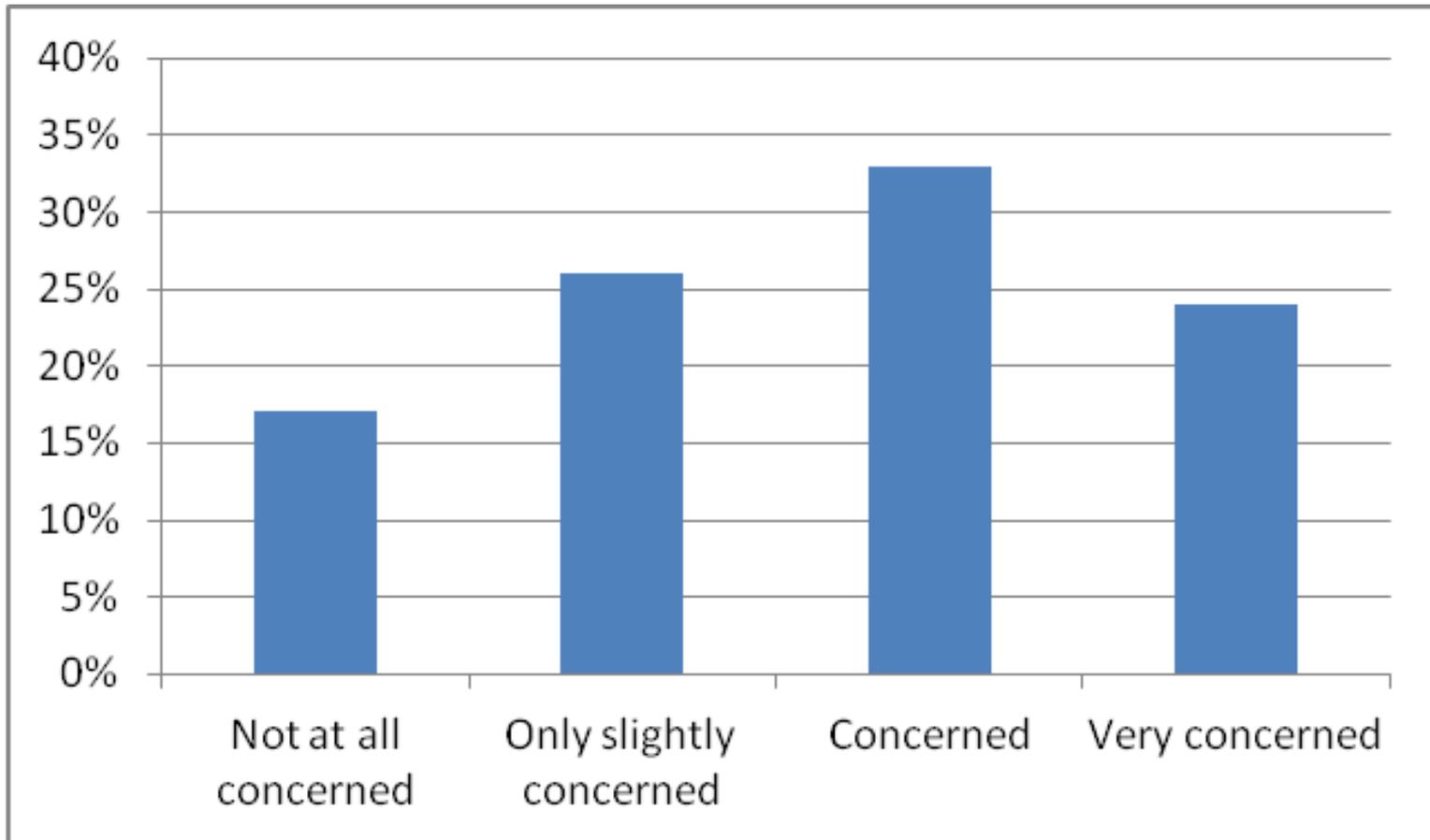
**To what extent does your company expect to shift towards a more skilled workforce over the next decade?**



# Level of Employer Concern

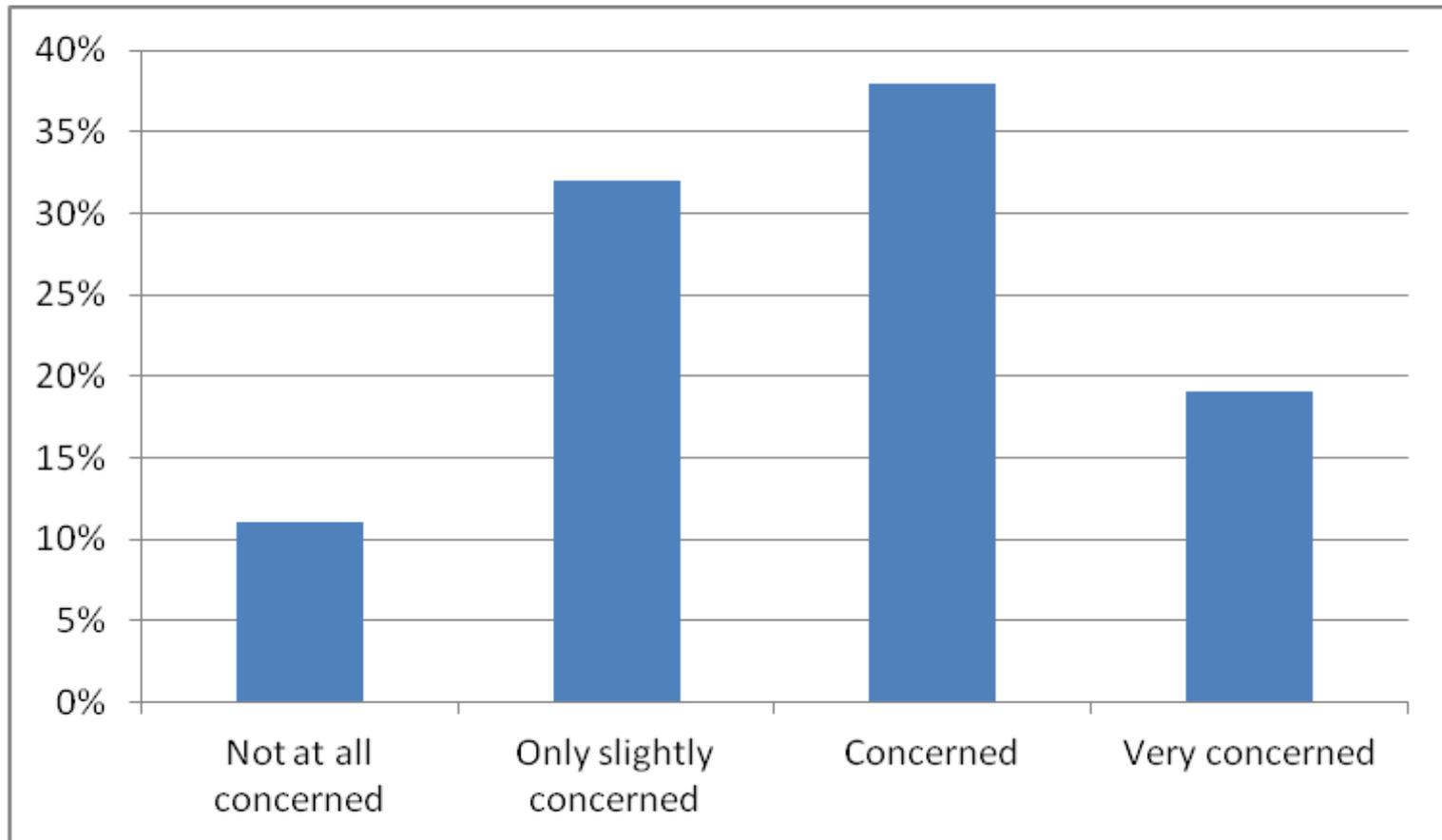


**How concerned are you about the no. of employees with specialized skills *retiring* in years ahead?**



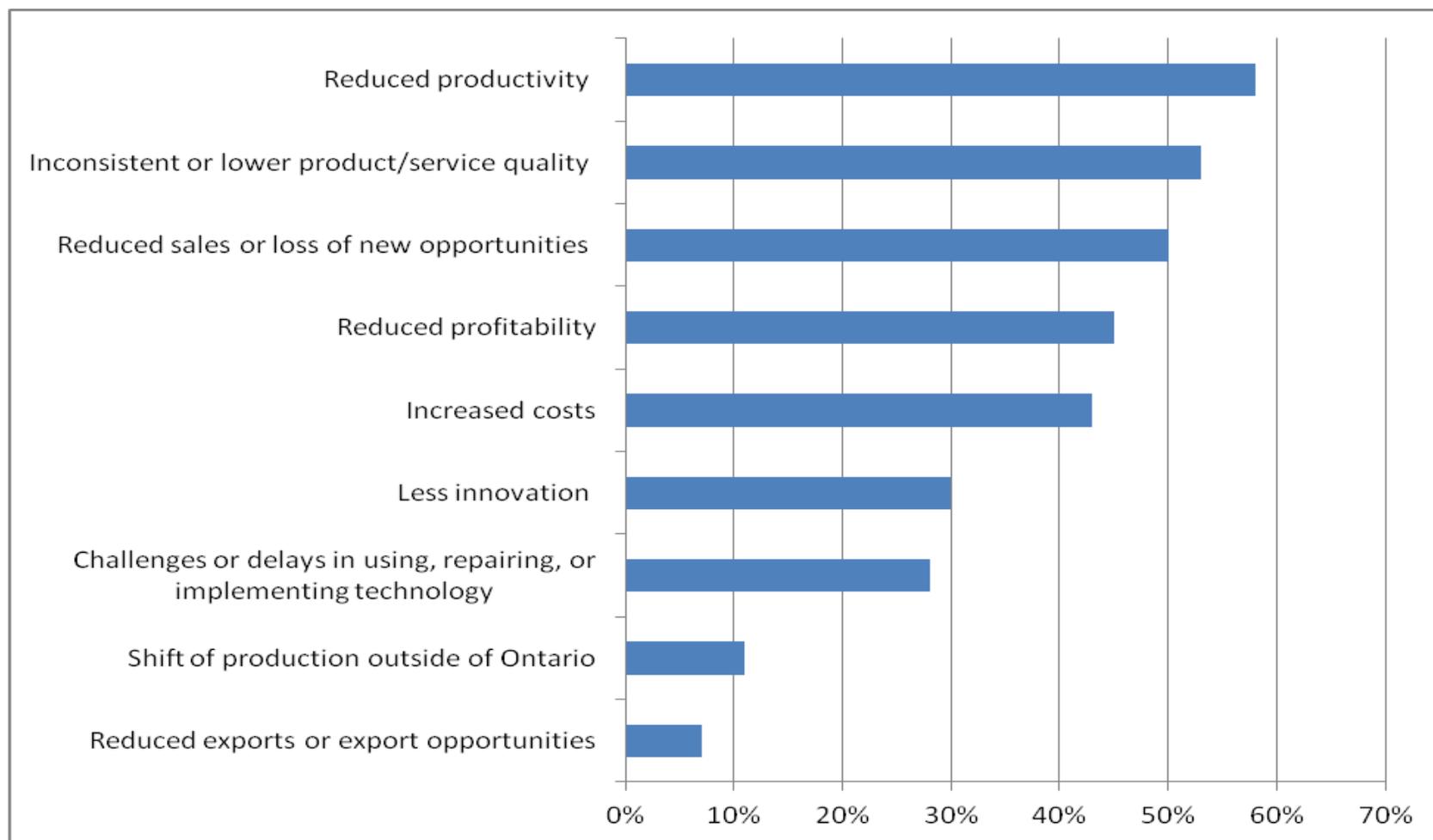


## How concerned are you about losing employees with specialized skills to other employers?





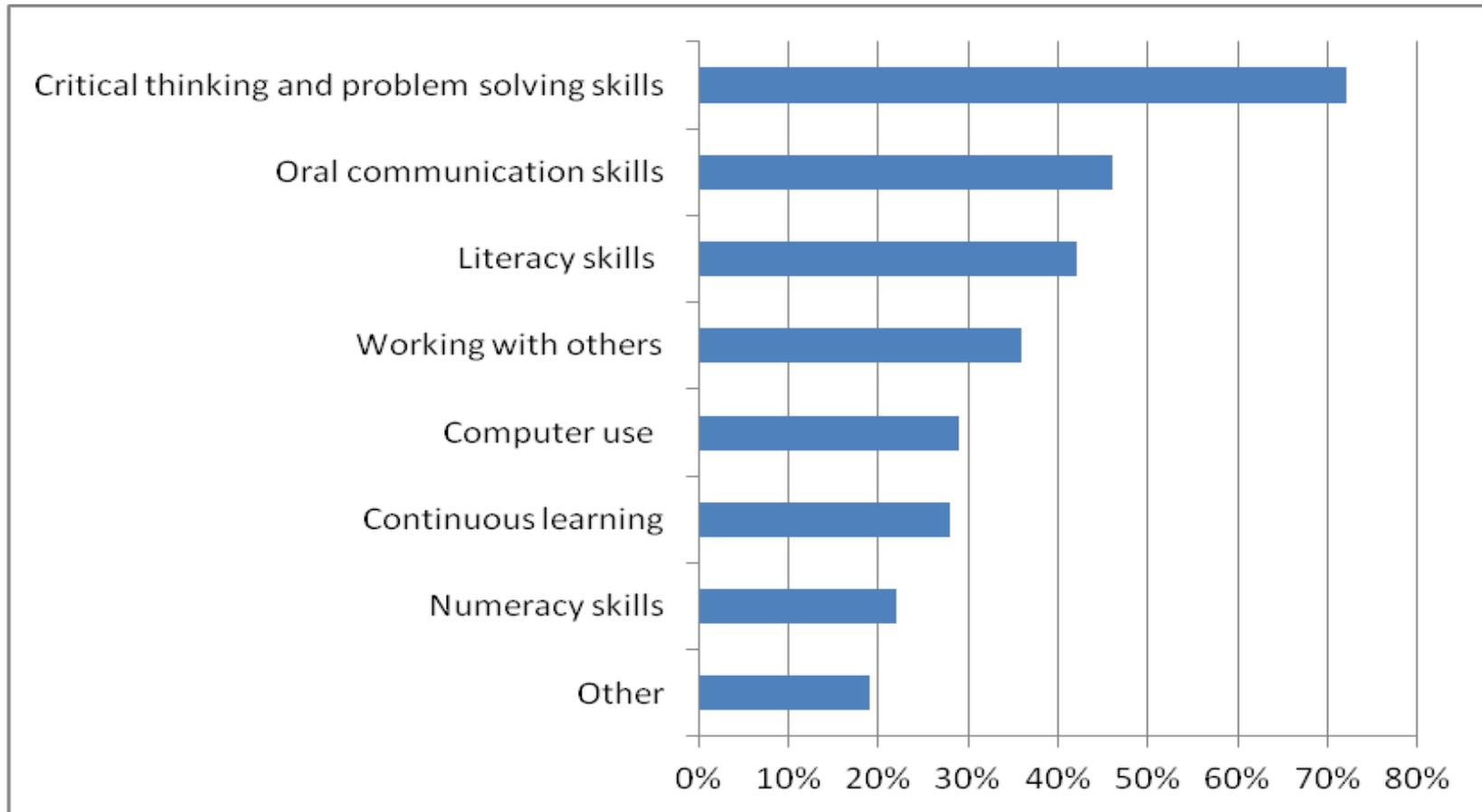
## Anticipated firm-level impacts of skills gaps



# Skills Employers Seek



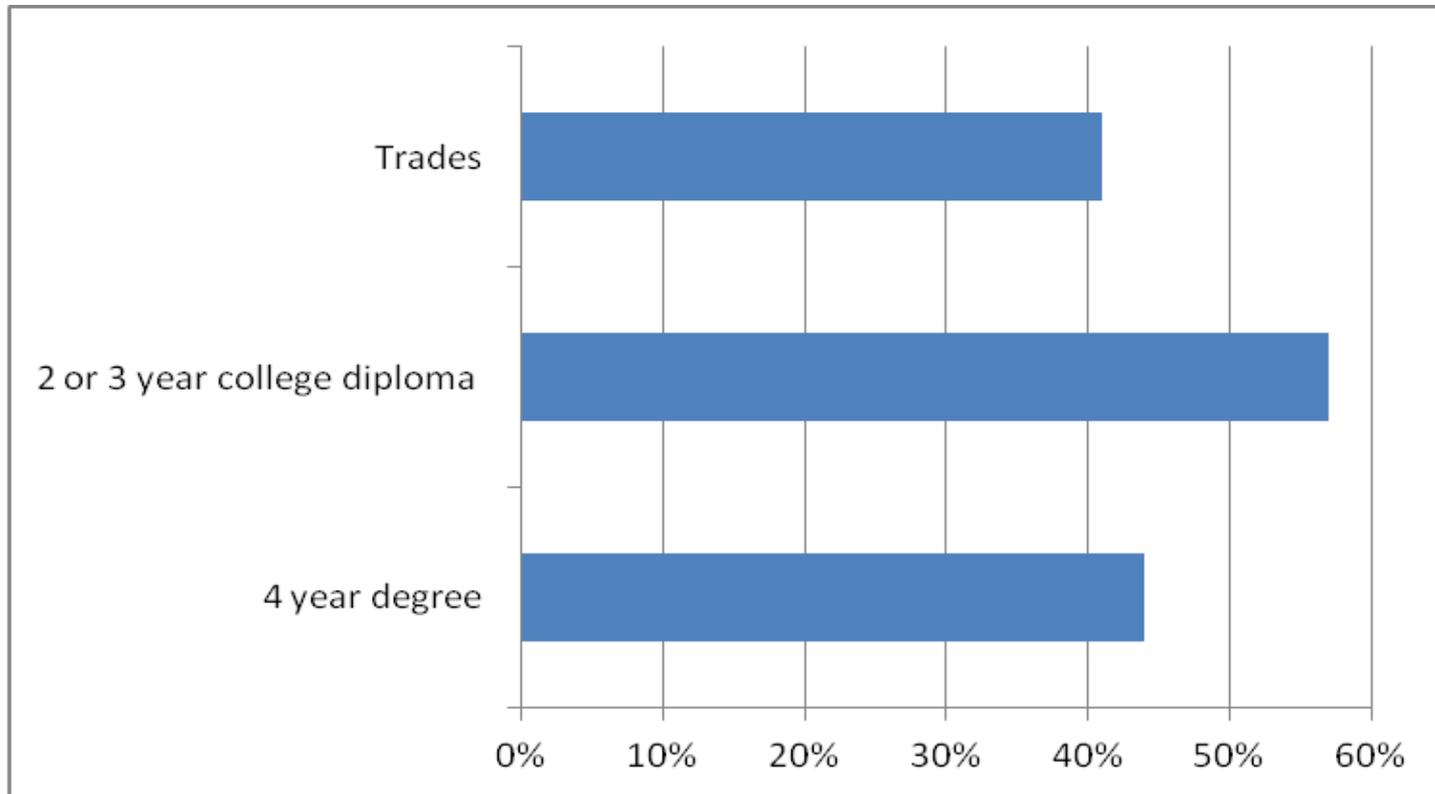
**Which *essential skills* have you had difficulty finding among recent hires or job candidates?**



# PSE Credentials

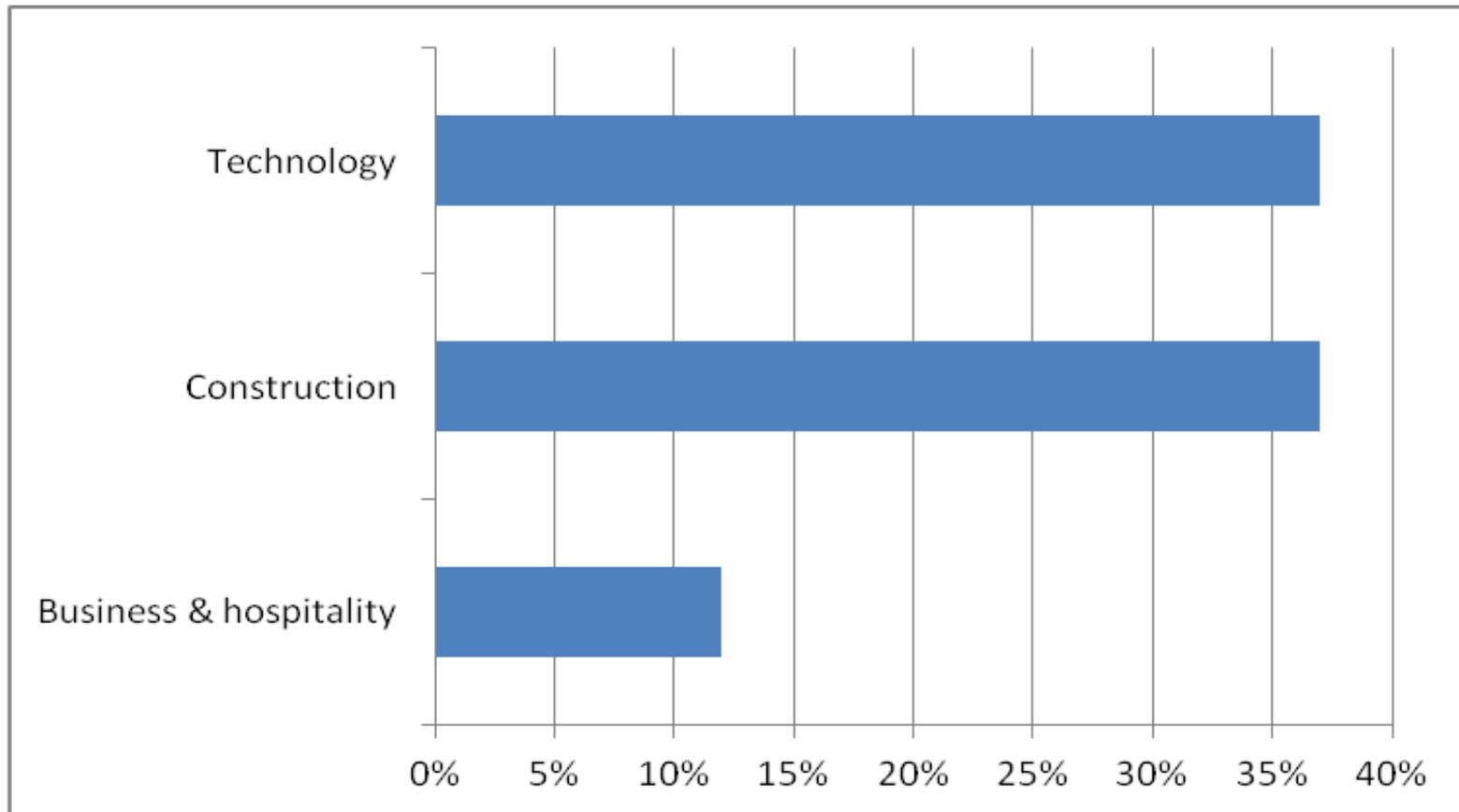


**As Ontario's economy returns to stronger growth, what post-secondary credentials will you be looking for in your new hires?**



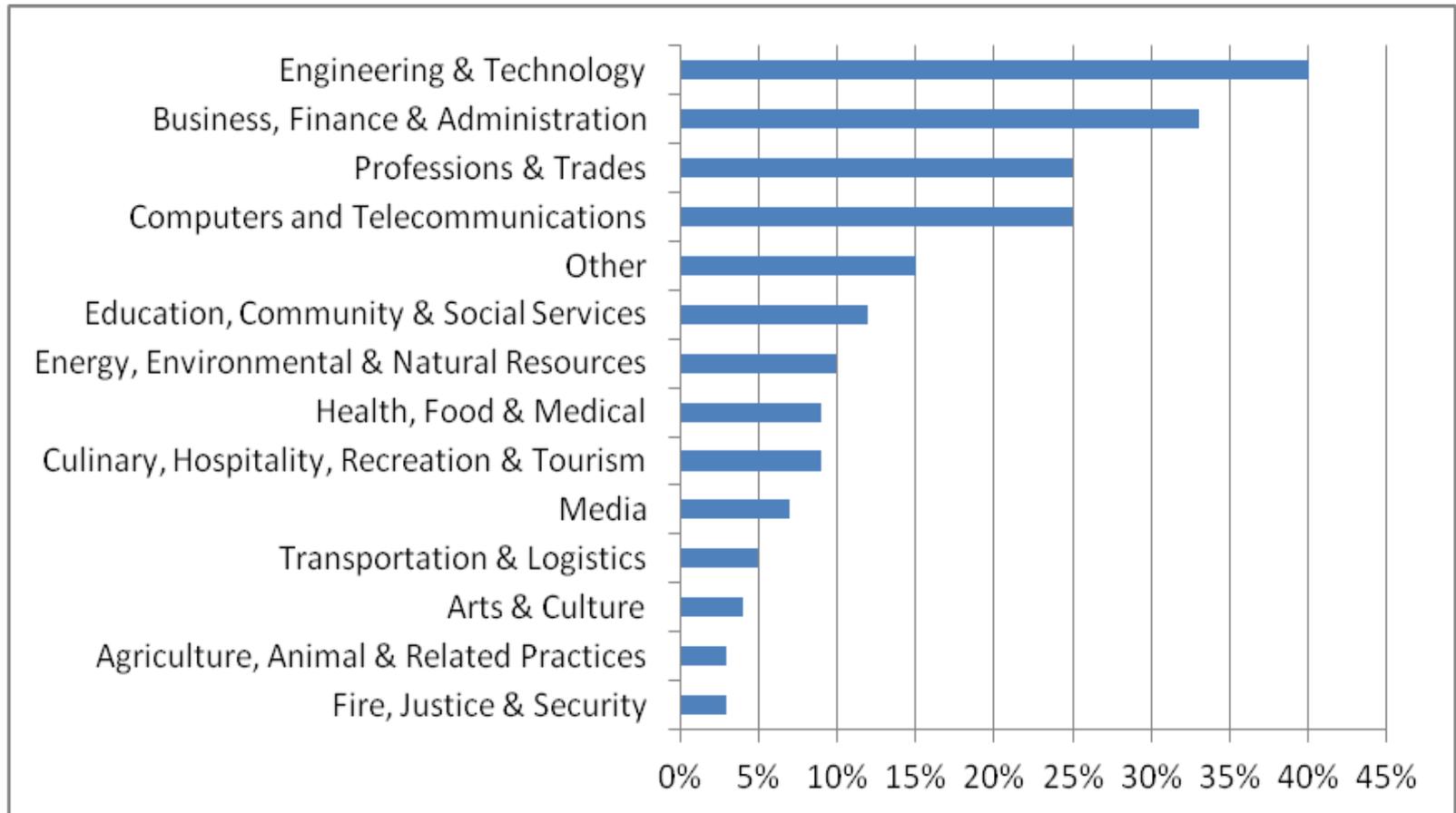


## Among those who answered “trades”, top priorities are:





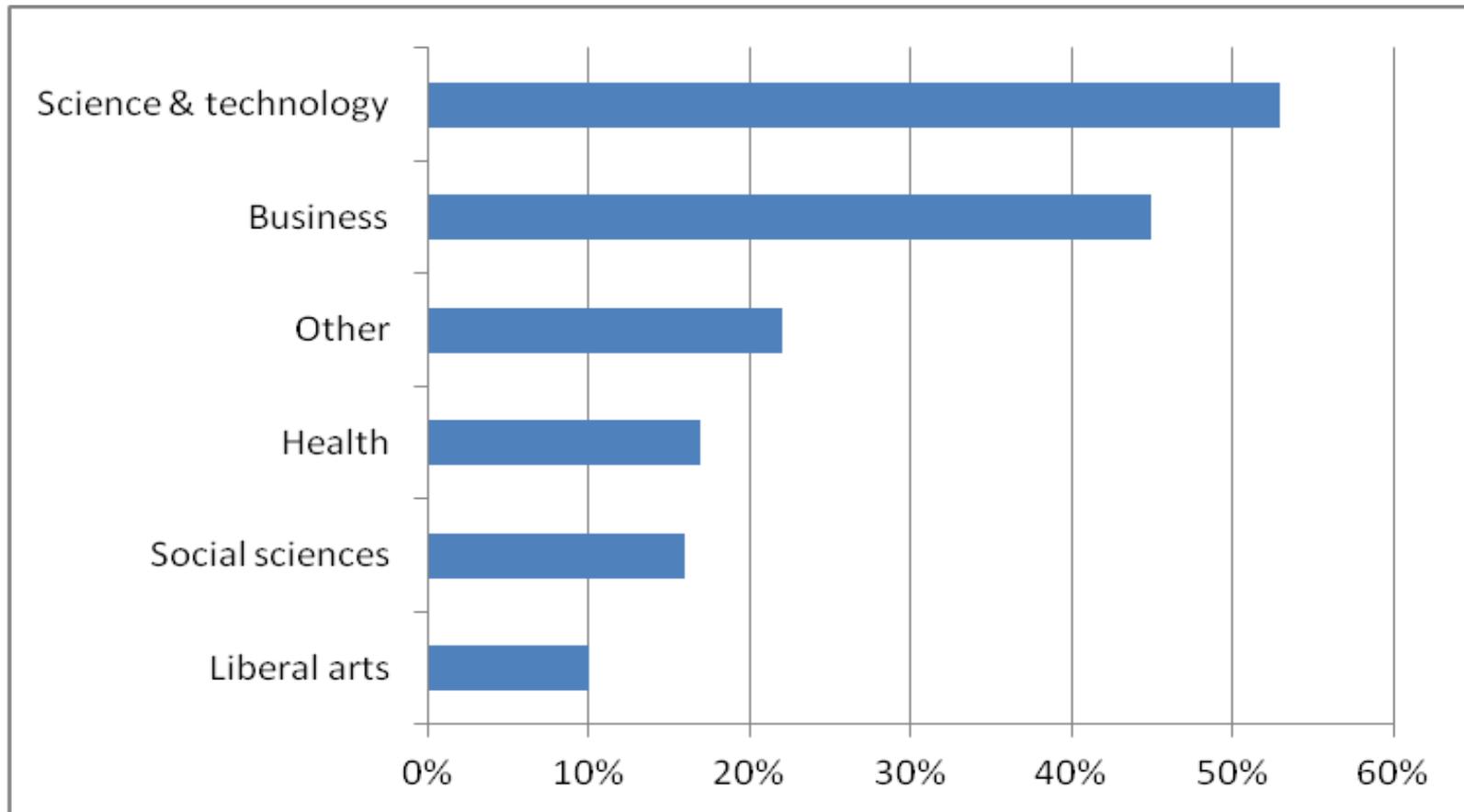
## Among those who answered “2 or 3 year college diploma”, top priorities are:



# 4 Year Degrees



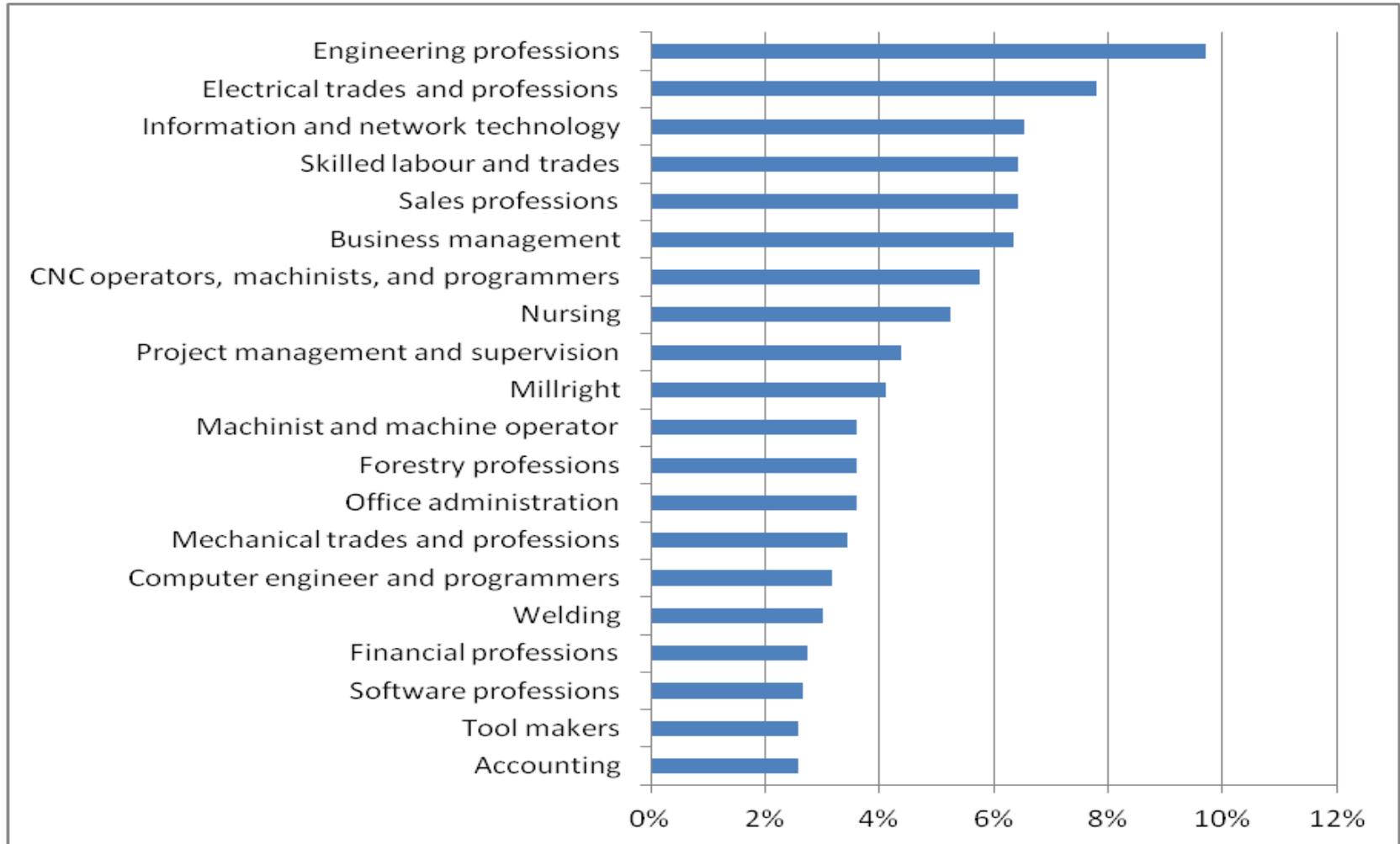
**Among those who answered “4 year degree”,  
top priorities are:**



# Top 20 Occupations Needed



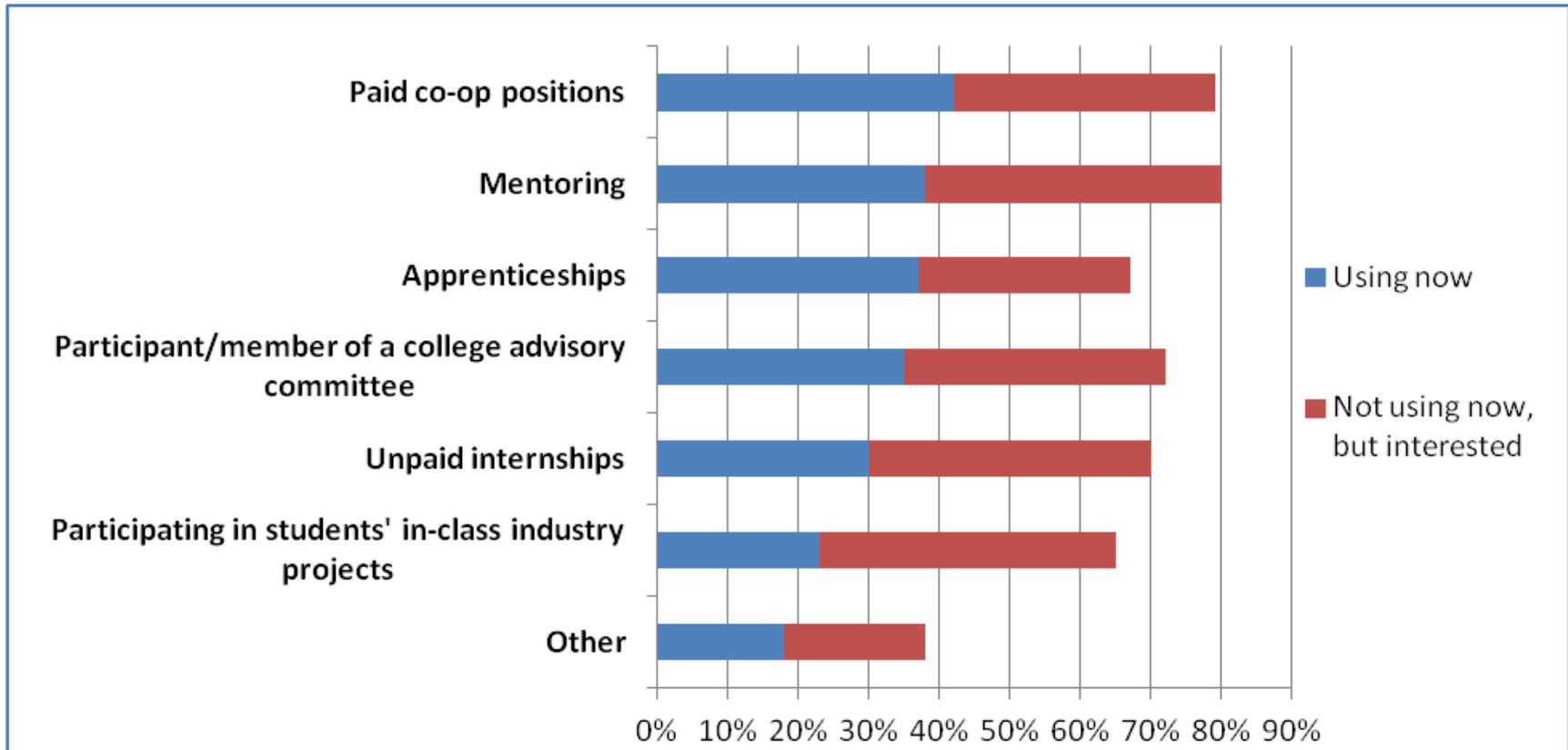
## % Employers Needing Occupation



# Employers' Skills Strategies

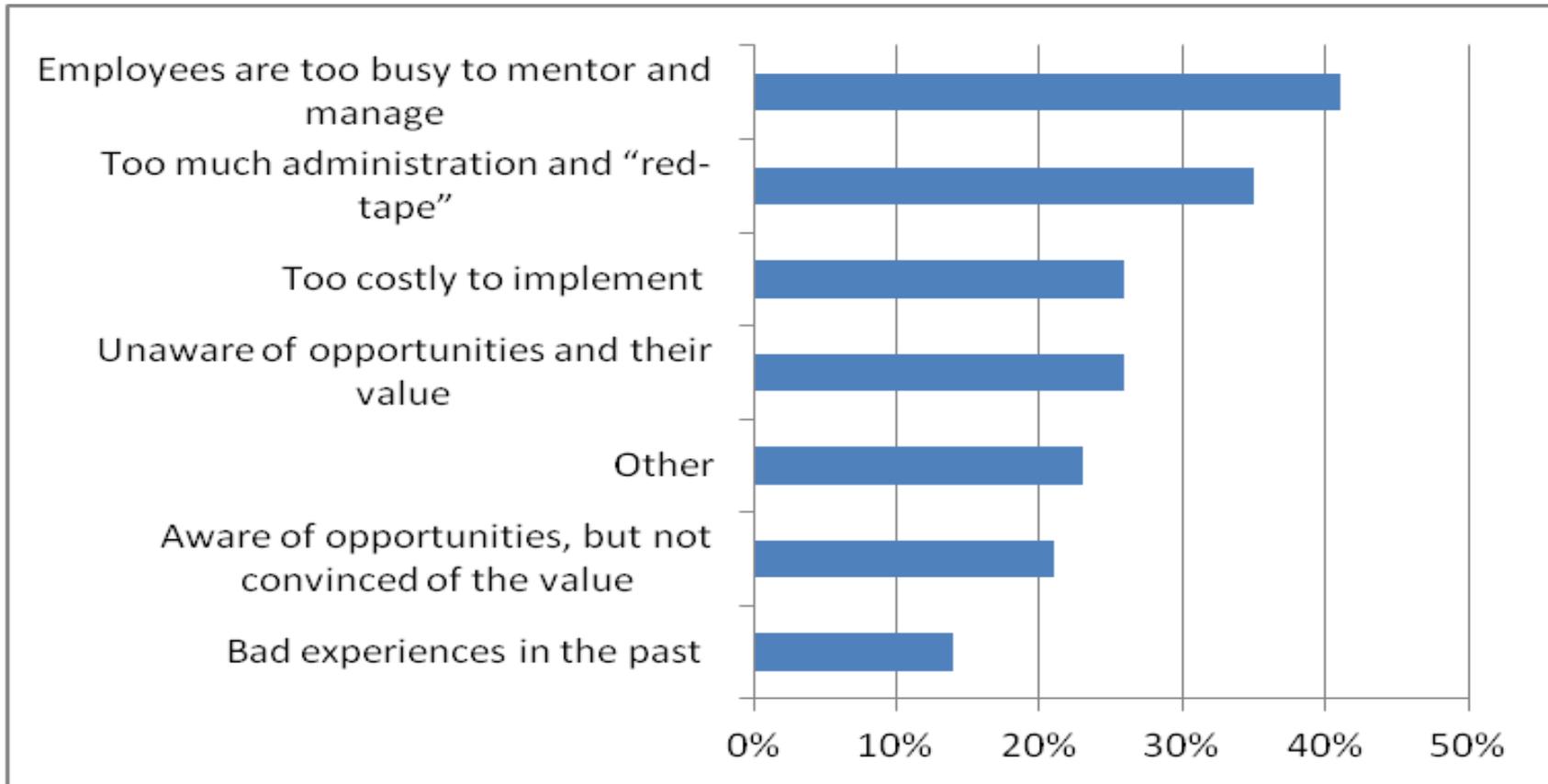


**76 per cent** of employers use at least one kind of experiential learning strategy. These include:





## Are there any common challenges that explain your lack of use or interest?





- Ontario urgently needs strategies to address skills gaps.
- A highly skilled and engaged workforce is essential to economic prosperity and social well-being.
- The Executive Summary (that you received) includes the report's full recommendations.



## Employers

- Increase investments in training and development and provide more experiential learning opportunities.



## Students

- Learn more about labour market needs/opportunities and align education and training to labour market realities.



## Educators

- Assess and adjust programs and curricula to better reflect current and future labour market realities.



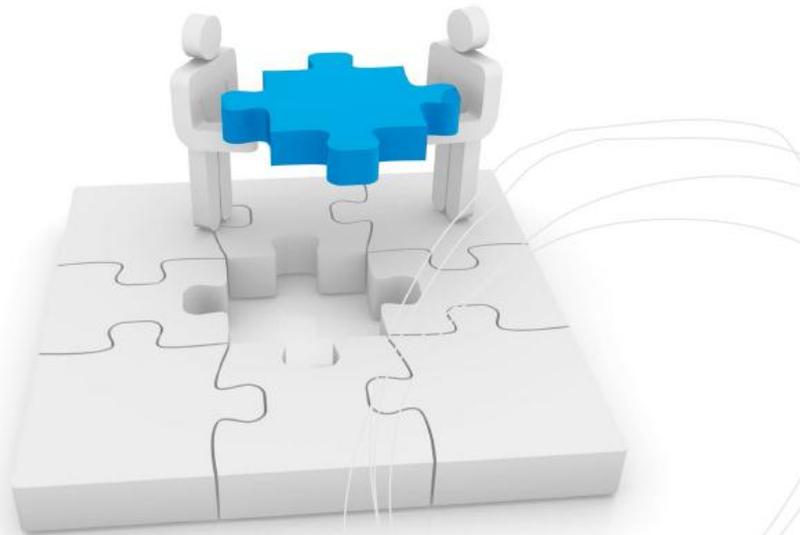
## Government

- Improve labour market information, and allocate additional resources for experiential learning opportunities.



THE NEED TO MAKE SKILLS WORK

## The Cost of Ontario's Skills Gap.



REPORT JUNE 2013

- Report released today.

- Available at:

[www.conferenceboard.ca](http://www.conferenceboard.ca)

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