



**Canadian  
Manufacturers &  
Exporters**

**Manufacturiers et  
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Canada**

# **Innovating the Skills Gap**

Keynote Address to the

## **Transport Skills Symposium**

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**Canadian Manufacturers & Exporters**

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Thank you very much for your invitation and for the interest you are demonstrating in skills issues -- one of the key challenges facing Canadians today.

While I represent the Canadian manufacturing industry, and the focus of this session is on skills in the Transportation Sector, it's quite obvious that these two sectors are very interdependent and inter-related.

For manufacturers, getting our products to market and securing timely delivery of parts, components, and raw materials is what it's all about. If we can't depend on an efficient transportation sector, our prosperity – and Canada's – is at great risk.

We in manufacturing must therefore pay attention to the key issues facing the transportation sector, and attracting and retaining key skills is high on the list of these.

It's an issue, in fact, that you in transportation increasingly share with the business community in general, and with manufacturers in particular.

It transcends all sectors of Canadian industry today.

Skills issues, in fact, are among those on which we in the business community share many common perspectives with our friends in the trade union movement.

I'm the Business Co-chair of the Canadian Labour and Business Centre, which is pleased to play a supporting role in this Symposium. The Centre's Labour Co-chair is Ken Georgetti, the President of the Canadian Labour Congress. At the CLBC, Ken and I frequently have the opportunity to talk about these sorts of skills-related issues with our other Board colleagues from business, labour, governments, and

the academic community. We note the many skills-related points on which we share an urgent concern.

I won't bore you with the numbers, but I think you all know something about the demographic forces that are driving the skills issue today in Canada, namely:

- Much slower labour force growth (projected at under 1% per year for the rest of this decade)
- An older work force (about one-third are now over 45 years old)
- Increasing retirements (the average age of retirement is now 61 and has been declining for over 20 years)
- Fewer new young labour force entrants.

Canada is not alone in dealing with the effects of an aging population. The United States, Europe, and Japan are also growing greyer, in some cases even more rapidly than we are. It's a complex problem, and we need to develop a comprehensive strategy that improves the quality of our education and training, enlarges the pools of talents from which we can draw, incorporates new and innovative technologies and invites people from all parts of the world to join with us in building Canada.

Demographic trends like these make skills shortages a question of national significance, even urgency.

It's a story I hear whenever I visit with CME members across Canada and every year, it is an issue that appears at the top of the priority list of our annual Management Issues Survey.

This year is no different.

Approximately 24% of CME members believe access to skilled labour is the most important factor in deciding where to locate new facilities. Similarly, 25% point to the availability of skilled labour as the most important challenge they will face over the next 5 years.

Lack of qualified personnel is also seen as the major barrier to improving production, according to members. What is encouraging however, is improving employee skill sets is the main focus of manufacturers and exporters with almost half of respondents planning to make this their top investment in 2004.

Problem solving, communication, team work and work ethic were identified as the skill set areas in need of the greatest improvement.

Nevertheless, keeping and retaining qualified personnel is a growing problem and finding workers with the “right stuff” is most challenging in the manufacturing management, engineering and business development areas.

CLBC research echoes this. In 2002, the Centre’s biennial survey of business and labour leaders found that skill shortages were among the top five concerns of the business community, and among the top ten within the labour community, out of a list of about 40 issues – high rankings, both.

In transportation, many of these same issues are front and centre, arguably even more so than in manufacturing. The transportation sector work force, for example, is even older than that in manufacturing. In transportation, 42% of the work force is over 45 years of age, compared with 35% in

manufacturing. At the same time, the number of younger workers (under 25 years old) in transportation has actually fallen in the last 5 or 6 years.

If we project these numbers forward, it's not a pretty picture.

The CLBC's Demographic Profile prepared for this

Symposium suggests that in the next 15 years,

transportation employers may be looking at replacing

150,000 or more workers. Clearly, attracting and retaining

workers in the industry must be considered an issue of

enormous urgency – now.

Let me suggest four strategies which I think have an

important contribution to make in addressing these issues.

They are strategies, incidentally, which many manufacturing

employers are paying increased attention to. They are:

- Improving the sector's ability to compete for new workers;
- Systematically broadening the sources from which the sector is recruiting its new workers;
- Developing strategies to enhance employee retention and ensure knowledge transfer within firms;
- Exploring more innovative firm-based approaches to retirement, to allow workers who wish to, to 'ease out' over a longer period.

I will touch on each of these very briefly.

- Improving the sector's ability to compete for new workers;

The transportation sector will increasingly be competing against many other sectors for scarce young workers. The 'image' of the industry, and potential recruits' perceptions of

career advancement opportunities in the sector, will become more and more important.

In addition, there is increasing evidence that employers who pay attention to workplace health and wellness issues, including promoting family-friendly workplaces and work-life balance, are able to distinguish themselves as ‘employers of choice’ and enjoy a recruitment/retention advantage.

- Systematically broadening the sources from which the sector is recruiting its new workers;

Four out of five workers in transportation are male, and almost half of these male workers are over 45 years old. It’s clear that relying on male workers going forward will not be a strategy that will work for very long.

There is a challenge—and an opportunity – for the sector to look much more closely at strategies which will allow it to recruit more women. This is particularly the case in many traditionally male skilled trades, where barriers to women’s entry must be addressed by both employers and fellow workers.

There is a corresponding opportunity to look at Aboriginal people as potential employees, particularly (but not exclusively) in Canada’s western provinces. Young Aboriginal workers will constitute a very large proportion of the work force, and there are an impressive number of innovative initiatives and programs being developed to ease their entry into the labour force.

Finally, there’s immigration.

By 2011, it's projected that immigration will contribute 100% of net labour force growth in Canada. That is to say, without immigration, the Canadian labour force simply will not grow. In some parts of Canada, in fact, we're already in this position. In Toronto, without immigration, the labour force would actually have shrunk by about 100,000 in the 1990s, instead of growing by about 330,000.

But when the CLBC recently asked business and labour leaders about how they would meet their expected skill shortages, only one respondent in ten indicated that hiring foreign-trained workers was 'very important.' So immigration is providing a huge proportion of our labour force growth, but almost nobody says it's important. Is there a disconnect here?

We will have to pay more attention to how we attract immigrants and recognize their skills acquired abroad. This

is an underused source of talent, which we must as a country pay much greater attention to. In fact, recent data from the Census indicate that immigrants are taking longer and longer to integrate into the Canadian labour force.

- Developing strategies to enhance employee retention and ensure knowledge transfer within firms;

I've already mentioned how workplace health initiatives can assist employee retention.

Providing employees with an opportunity to develop and use their skills – and advance their careers within their firms – remains an important component of a retention strategy.

Increased emphasis on recognition and rewards systems within firms, and added efforts to increase employee involvement in decision-making, can add up to workplaces in

which employees feel more recognized, more valuable – and to which they may be more loyal.

Similarly, more and more firms are strategically looking at how they can best introduce systems to transfer the knowledge of older workers to younger ones. Programs of mentorship and others are becoming recognized in this context.

- Exploring more innovative firm-based approaches to retirement, to allow workers who wish to, to ‘ease out’ over a longer period.

Phased-in retirement programs can allow employees to retire more gradually, without interfering with their pensions. At the same time, this permits their employer to benefit from their skills – perhaps on a part-time basis – for a longer period.

There is an opportunity to explore initiatives such as this as part of an overall skills recruitment and retention strategy.

Both Ken Georgetti and I continue to be impressed by the potential role that the proposed Canadian Learning Institute could play in facilitating information-sharing on strategies and approaches to addressing skills issues – on both a national and a sectoral basis. The CLI was announced in the 2003 Federal Budget, and resourced with a one-time contribution of \$100 million. It's an amount that could produce results. We strongly urge the federal government to provide an important role for the Canadian Labour and Business Centre as it sets up the Institute, and we hope that we will see speedy progress.

But the bottom line remains that whether you are in the transport sector or the manufacturing sector – innovation is the key.

Companies cannot innovate if their employees cannot innovate. All business sectors must be able to adapt quickly to emerging challenges, so industrial workers today need diverse technical, analytical and communication skills.

Canadian manufacturers, especially SMEs, are also more labour-intensive than their American counterparts, creating further demands on a pool of skilled labour that is already shrinking as a result of demographics. They have tended to boost production by employing more people, rather than by introducing new labour-saving technologies, compared with the trend in the United States.

In fact, manufacturing has accounted for about 45 percent of total job growth in Canada in the seven years leading up to 2002. But the heavier reliance that Canadian industry has

placed on labour rather than on automation has led to two very different patterns in productivity performance.

The result can be seen in Canadian and U.S. trends in labour productivity, whether measured in terms of output per person employed in manufacturing or output per person-hour. Labour productivity increased more rapidly in Canada between 1989 and 1994, then the rate of performance slowed dramatically. Meanwhile, the rate of labour productivity improvement has remained the same in the United States throughout most of the past decade. It surpassed the Canadian trend in 1996 and began to open up the gap that has caused so much concern for business people and policy makers on this side of the border.

These trends point to the need to act in several key areas.

First, unless investment in productive capital increases significantly across Canadian industry, the differences in productivity, economic and income growth will continue to widen. We need a considerably enhanced investment environment in Canada to make that happen.

Second, we need stronger infrastructure to support technological innovation on the part of Canadian industry. More investments are needed in universities and colleges, as well as in government research and development organizations. And far more must be done to ensure that knowledge is transferred effectively to industry and that companies can count on adequate resources to enable them to commercialize R&D results here in Canada.

Third, Canadian industry has a greater role to play in enhancing technological innovation. The need is greater

than ever for more concerted efforts to improve production efficiencies, invest in upgrading worker skills, share expertise in world-class business practices, and strengthen design, engineering and service capabilities in order to improve customer value.

And above all, Canada needs to improve its ability to grow our small and mid-sized enterprises into larger, more successful companies, to ensure we remain a diversified, value-added economy with high-paying jobs.

In conclusion, symposia and conferences like this one provide an extremely valuable occasion for sectoral stakeholders (business, labour, governments and educators) to explore common issues and share their best practices – to

discuss not only what they are doing, but why. I commend you on providing this important opportunity.

Looking to the future, the transportation sector faces many skills-related challenges, which may also be opportunities.

The success with which you address these, and the continued vibrancy of your industry, are of very great importance to us in manufacturing. As you tackle these questions, you can count on my support.

Thanks very much.