

# Help Wanted: Strategies for addressing the labour shortage in Atlantic Canada

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Good afternoon Chairman Allison, distinguished members of the Committee. It is a privilege to be here to share the work of the Atlantic Institute for Market Studies; specifically our research on the labour market.

On first read, the Globe and Mail article of last Thursday which highlighted a backlog of over 20,000 immigrant cases in part due to 40 vacancies at the Immigrant and Refugee Board was ironically funny. However, recently released Business Conditions Survey figures show that 9% of firms experienced production difficulties due to a lack of skilled labour and a further 5% reported difficulties due to unskilled labour shortages. In this light the backlog of immigrant cases must be seen as a serious drain on our economy.

Some examples of this shortage:

- The Canadian Restaurant and Food Assn. has just released a report projecting huge labour shortages throughout the industry. It is an industry, like many other services, that cannot be outsourced or offshored to China or India, but must be done by people right here in Canada.
- Last month, the Dalhousie Business School had more recruiters on site than all of last year.
- The Warren Group (a Maritime trucking company) recently brought in ten drivers from Europe to help ease the acute shortage of long-haul drivers.
- In PEI, there are 20 Russian guest workers at a fish processing plant, and there is a request for 20 more.

In response to requests from businesses across the region, every provincial government in Atlantic Canada now has an immigration policy and I believe an agreement with Ottawa. Under these provincial nominee programmes, needed workers can be fast tracked.

However, immigration is not enough. We have an aging population which birth rates do not offset. Furthermore, the profile of immigrants mirrors our society; so many immigrants will face retirement too. Recent studies have shown that if existing trends continue, Atlantic Canada will be faced with an unemployment rate below 3% within 10 years. As you know, 3% is approximately the minimum unemployment rate associated with structural and frictional shifts in the labour market. Below this the economy MUST shrink.

We also need to lose the assumption that everyone needs to be a software engineer or biotechnician. Many of the jobs that are already going begging in Canada are for skilled and

semi-skilled blue collar workers. I've already mentioned truck drivers and fish plant workers and restaurant workers. If Canadians are unwilling to perform these tasks, we are going to need to think about how we will get them done, as many of them cannot be outsourced but must be done close to home.

Part of the solution lies in taking up President Vicente Fox's invitation for Canada and Mexico to set up a guest worker programme. Mexico is the NAFTA partner we ignore, and yet as both Canada and the US enter a period of labour shortages, having a large pool of unemployed labour on our doorstep may prove to be a huge boon. However we should not take these workers for granted, just as employers compete more for workers, Canada will have to compete. The highest value guest workers or immigrants are much sought after everywhere, and they have more destinations to choose from than ever before that offer opportunity, high standards of living and personal security. At the very least we need methods to fast-track the recognition of foreign credentials.

Another part of the solution is increased productivity. It is not a question of whether a firm can hire the people it thinks it needs, because nobody is going to find the workers that they need. The problem is going to be whether firms and government can modernise themselves, through the use of information technology, outsourcing non-core functions, more rigorous management, etc., thus allowing them to do their essential work while drawing far less on the country's labour pool. You actually need far fewer people to do what you really need to do, and you need to pay them much better.

Productivity can come from many sources. One of the key areas is removing barriers to worker mobility. The usual examples in the literature include architects, accountants and engineers however, for example, my wife had to take an additional course and recertify for Early Childhood Education here in Nova Scotia when we moved here from Saskatchewan. A research report last year from the OECD ranked Canada worst of the G7 in barriers to labour mobility.

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By the way, “deregulation” is nothing to fear. Remember that a labour shortage is a worker's best friend, and workers are entering an era of high and rising bargaining power, and not just on wages. For example, many long-distance truckers have negotiated a rework of the delivery chain as a series of 6 hour drop-offs. No longer do they need to be away for a month at a time. They can live at home and have a normal family life.

In an effort to maximize the available labour pool, many firms are leveraging technology to help disabled people. I am reminded of a story a colleague told me of PowerPoint presentation delivered by a blind person. A program called “Jaws” read the slides rapidly to the presenter and, as such, he could make allowances for those in the audience that needed visual aids.

This brings us to the elimination of regionally-differentiated EI, regional development spending on business support, and many kinds of other business subsidies. Political opposition is going to be much more muted as the labour shortages spread across the country. It is no longer necessary to leave Mabou and Bathurst for Toronto and Calgary. It may be quite sufficient to go to Moncton or Halifax. In fact, Halifax needs this rural-urban move today. In 2005, Halifax's employment rate was higher than Toronto, Vancouver and Montreal.

It was one thing when people had some sympathy with the argument that there were no jobs, but in an era of massive labour shortages, the moral and the economic argument coincide. There is no case on either score for continuing to pay people not to work, or to try and create artificial employment at the cost of higher taxes, when genuine sustainable businesses have to shelve development plans for lack of workers.

In short, we are experiencing an acute labour shortage and the situation is getting worse. Immigration may provide a short-term softening of the blow, however it is not enough. Furthermore, we are in competition for quality immigrants and guest workers. We need to streamline the process for them and recognize their qualifications. For that matter, we need

to recognize our own qualifications and remove barriers to worker mobility. We need to identify the labour gaps and promote those fields aggressively be they skilled, semi-skilled or non-skilled. Lastly we have to stop paying for regional schemes which are disincentives to resolving these pressing problems.

All of these barriers directly hurt our productivity, and in this age of competing global supply chains, productivity is king. We need to leverage technology to expand our worker force and to make do with fewer workers.

Thank you for your time and attention.



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