

## Aligning Skills Development with Labour Market Needs

In addition to demographic shifts, Canada's labour market suffers from skills gaps and mismatches. The "skills shortage" refers to a lack of workers with the skills necessary to qualify for high demand jobs in the knowledge and skills-based economy. According to projections, the skills shortage in 2031 will be 2.3 million, meaning there will be 2.3 million available jobs without skilled labour to fill them.<sup>1</sup> This threatens economic growth because businesses struggling to fill positions cut back production and turn down contracts due to a lack of capacity. Productivity and innovation are also negatively impacted. Corrective actions need to better match labour force skills with the skills needed. It is imperative that all future federal actions aimed at aligning labour force skills with high-demand jobs are developed in consultation with employers and other stakeholders.

While efforts are being made to increase the size of Canada's labour, there is also a need to ensure skills entering the labour force actually match up to demands. For instance, there is a need for skilled trades' professionals and science-based occupations such as engineers and IT professionals, yet there is a chronic shortage of these individuals. The Canadian Chamber identifies social biases and education policy as the reasons behind this shortfall despite demand. Specifically, there has been a long-standing social bias against the skilled trades as occupations, leading students to pursue university degrees. Similarly, the education system fails to engage students in pursuing science-based occupations. Furthermore, there is a lack of essential skills limiting potential employees from becoming more productive through training. Even as Canada's labour force is achieving higher levels of educational attainment, there is still evidence pointing to skills mismatches in industries across the country.

To address this skills gap, employers, educators, and government, are seeking innovative and effective skills development and education solutions, including actions to increase apprenticeship completions, advancing essential skills and life-long learning, and establishing more employer-sponsored training. Given the multiple stakeholders and interests affected by the skills gap and skills development programs, future program development by the federal government should be as collaborative as possible. As consumers of the labour force supply, a key stakeholder in federal skills development programs are employers and the overall business community. However, the voice of business is currently not systematically and formally included in the process of developing policy solutions. For skills development and education programs to effectively align employer needs with labour force skills and lower unemployment, programs must address labour concerns and meet labour needs of business, enabling business to fully utilize the workforce.

Understanding business labour needs and incorporating this information into program design requires formalized stakeholder consultation. As part of program development, Employment and Social Development Canada (ESDC) should adopt a formalized stakeholder engagement and consultation process. Through on-going dialogue, employers offer experience-based insight on labour challenges and evaluation on programs, while being part of designing programs from their insider perspective. Employer input should be combined with consultation from other stakeholders.

An ideal dialogue model/framework that can be adopted by ESDC for incorporating business perspectives in skills programs is the Canada Employment Insurance Commission (CEIC). The EI Commission is a tripartite organization with representation from business, labour, and the Government of Canada. Thus, the interests of all stakeholders are reflected and represented on issues and functions related to employment insurance, including support of the appeal system, making EI regulations, reviewing and approving policies related to EI, and development of the EI monitoring and assessment report. A similar commission can be established for skills development programs that may be considered, designed, implemented, and evaluated in the future. This would allow employers a role in counselling the minister on what actions and types of programs are most desirable and effective for addressing the skills gap issue.

<sup>1</sup> Miner, R. (2014). "The Great Canadian Skills Mismatch: People without Jobs, Jobs without People and More." Miner Management Consultants.

## **Recommendations**

That the federal government:

1. Adopt a collaborative approach to addressing the skills gap by establishing a formal dialogue framework with a defined process and governing principles. The mandate should include the incorporation of business perspectives in the development of federal actions and programs on skills development and training.
2. Use the EI Commission as a model for dialogue emphasizing transparency and ensuring representation from various stakeholders to reflect and represent the interests and input of their constituents. This formal body should not only contribute to the development of programs but evaluate the effectiveness of implemented programs.