

# Manufacturing a Skilled Workforce

## Issue

In the Canadian Manufacturers & Exporters (CME) Industrie 2030 report, 35% respondents to a Management Issues Survey indicated that attracting or retaining skilled labour was one of their three most pressing challenges.<sup>1</sup> This topped the list of all possible responses. Further, CME reports that close to 60% of businesses anticipate skilled labour shortages in 5 years. There are multiple strategies to attract youth to trade programs and to attract skilled immigrants. A third approach may be required to meet the growing skills gap: a flexible, easily accessible incentive program for employers to upgrade the skills of existing employees and potential hires to meet their specific skill requirements.

## Background

A Google search for “Canadian skills gap” yields about 349,000 results, mostly news-media and “grey” literature articles. Anecdotally, employers decry the lack of skills, which leave positions unfilled. Unemployed or underemployed university graduates decry the lack of opportunities in their fields. Industry associations, such as CME, advocate for developing a stronger skilled workforce in Canada as part of their Industry 2030 reports.<sup>2</sup>

Loosening immigration and temporary foreign worker regulations to assist employers access skilled labour or introducing the trade careers earlier in the education stream to foster a change of perceptions regarding employment prospects are often proposed. One concept that has yet to be brought forward in any substantive form is using tax credits to provide incentives for personal or in-house training.

Despite a variety of programs, grants and tax incentives there is no over-arching flexible opportunity to encourage employers and employees to work together to fill any skills gap. Employers spend less on training than in previous decades<sup>3</sup> and attracting good workers has become challenging since wages have stagnated.<sup>4</sup>

There are a number of programs that provide some incentives through grants and other tax credits, however they are limited in various ways to specific demographics and circumscribed circumstances. The Canada - BC Job Grant provides up to \$10,000 to employers per employee. However, the grant only applies to certain demographics, is available for a certain period of the year (April through August), must be applied for well in advance of that training period, and it comes in the form of a reimbursement for only two-thirds of the cost requiring the employer and/or employee to pay for tuition up front.<sup>5</sup> There are tax credits available through WorkBC for very specific industries and activities.<sup>6</sup> There is a federal wage subsidy program for youth only.<sup>7</sup> And for older workers, there is an employment assistance program for re-training – but only if the worker is unemployed, in a community experiencing high unemployment or economic downturns.<sup>8</sup> The best program by far is the Training Tax Credit for apprenticeships through ITA.<sup>9</sup>

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<sup>1</sup> Industrie 2030, Manufacturing Growth, Innovation and Prosperity for Canada, CME, CMC. 2016. P.15. [www.industrie2030.ca](http://www.industrie2030.ca)

<sup>2</sup> Industrie 2030, Manufacturing Growth, Innovation and Prosperity for Canada. CME, CMC. 2016. P.20. <http://www.industrie2030.ca/>

<sup>3</sup> Ontario employers spent \$1,200 in 1993 decreasing to \$700 in 2010. <http://www.conferenceboard.ca/infographics/skills-gap-info.aspx>

<sup>4</sup> Morissette, Rene, et al. The Evolution of Canadian Wages over the Last Three Decades. Statistics Canada – Analytical Studies Branch Research Paper Series. 11F0019M-No.347. <http://www.statcan.gc.ca/pub/11f0019m/2013347/part-partie1-eng.htm>

<sup>5</sup> <https://www.workbc.ca/Employer-Resources/Canada-BC-Job-Grant.aspx>

<sup>6</sup> Training Tax Credit <https://www.workbc.ca/Employer-Resources/Funding-and-Programs/Incentives-and-Tax-Credits.aspx>

<sup>7</sup> “Get Youth Working” for BC, 15-29 years old, provides a \$2,800 hiring incentive. <http://canadabusiness.ca/grants-and-financing/government-grants-and-financing/wage-subsidies/>

<sup>8</sup> Funding for Employment Assistance for Older Workers

<https://www.canada.ca/en/employment-social-development/programs/training-agreements/older-workers.html>

<sup>9</sup> <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/training/employer>

The targeted nature of grants and credits are very helpful to employers to onboard minorities and the sometimes hard to employ. However, if an employer requires a very specialized skill set and has an employee who, with a bit of training, could fill the gap, there is little to support either party, particularly for small to medium sized entities.<sup>10</sup>

Employees, whether full or part-time, in their chosen career or underemployed based on their degree attainment bear some responsibility for their own training, but many are caught with student debt and minimum wage positions.<sup>11</sup> Workers cannot gain experience because employers are reluctant to take on those who may require additional skills mentoring. Full time workers with families are unable to shoulder the high cost of tuition that is required for them to keep up with the changing nature of their employment. This is particularly true for positions that are becoming more vulnerable with the rapid advances in technology.<sup>12</sup> Further, employees and/or students are eligible for a small tax deduction for tuition fees,<sup>13</sup> but effective January 1, 2017, related education and textbooks deductions were eliminated.<sup>14</sup>

Employers in Ontario were asked why they are reluctant to train, especially the small and medium enterprises who are not training their employees in any substantive manner. The Ontario Chamber of Commerce and Essential Skills Ontario (2014) concluded:

Employers are not training due to a couple of key factors, including cost, risk of turnover and 'poaching,' and a lack of human resource capacity. The success of employer-driven training programs is contingent on employer engagement. *It is vital that government design training and employment programs so that they overcome these barriers. Training and employment programs should be easy to access for businesses, offer flexible training options to the workers who need it, and make room for not-for-profit and private service providers to play an intermediary role in the new training and employment system.* [Emphasis added]

Similarly, employers need to get more engaged in building the skills of their employees. Ontario's population is aging and our workforce is shrinking. Some 28 percent of OCC members are having trouble filling job vacancies....<sup>15</sup>

BC's situation of aging workers and the need for specialized skills would, no doubt, be similar to what the researchers for Ontario found. And, as listed, programs for BC employers are limited and at times difficult – more a challenge and a barrier than an incentive. Streamlining opportunities and simplifying application processes would greatly enhance the ability of employers, particularly the small and medium sized entities, to engage in developing their own workforce.

Employers no longer have the luxury of hiring a made-to-order employee as the nature of the labour force has changed; and, employees no longer have job security as the nature of their work is rapidly changing due to advances in technology. An over-arching strategy of incentives for skills-upgrading on the job would encourage employers and employees to fill their own gaps with their own resources, particularly when employees have the opportunity to tailor their skills sets to the need at hand.

## Recommendations

That the federal government:

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<sup>10</sup> Employer/employee tax deductions for scholarships, etc., "In this situation, the amount of the scholarship or bursary is considered to be employment income for the employee or former employee." <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/dctn/ttn-eng.html>

<sup>11</sup> Dehaas, Josh. "Entry-level" jobs are getting harder to find. Macleans. April 5, 2014. <http://www.macleans.ca/work/jobs/entry-level-jobs-are-getting-harder-to-find/>

<sup>12</sup> Hennessy, Angela. "As well or better than humans": Automation set for big promotions in white-collar job market. <http://www.cbc.ca/news/business/automation-jobs-canada-computers-white-collar-1.3982466>. February 28, 2017.

<sup>13</sup> Eligible tuition fees: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/323/lgbl-eng.html>

<sup>14</sup> Effective January 1, 2017, the federal education (a \$ amount x #of months) and textbook tax credits will be eliminated. <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/323/menu-eng.html>

<sup>15</sup> Holmes, Andrea and Josh Hjartarson. Moving Forward Together: an Employer Perspective on the Design of Skills Training Programs in Ontario. Ontario Chamber of Commerce. 2014.

1. Develop an easily accessible and understood portal to the tax credits and grants currently available for individually-funded and employer-sponsored education expenditures,
2. Expand tax credits and grants and be more flexible to assist businesses fill diverse and specific skills gaps as they emerge.