

Training the work force: A challenge facing Canada in the '90s ⁽¹⁾

Andrew Sharpe

In recent years there has been a growing debate on the importance of education and training for Canada's future prosperity. As a result, attention has been directed to the role Canada's education and training system can play in developing our economic potential in terms of employment and productivity growth.

This article focuses on Canada's training system and, in particular, on what is required to meet the training needs of the work force in the '90s. For example, is training available to all workers who require it? Is the amount of workplace training sufficient to meet industry's growing need for skilled workers?

The basic skills levels of the Canadian work force

A frequent complaint of Canadian employers is that the basic literacy and numeracy skills of the work force are inadequate. Without such skills workers cannot function effectively in the modern workplace. For example, they may not be able to read manuals, perform numerical calculations, operate sophisticated equipment, use information technologies, or do myriad other tasks requiring a basic level of skills. It follows that workers without these basic skills are less able to adapt to the growth and decline of firms and to the introduction of new technology.

It is true that the average level of formal educational attainment of the Canadian labour force has risen significantly over the past several decades and can be expected to continue to increase. ⁽²⁾ This trend arises because young people entering the labour force have, on average, higher levels of educational attainment than those currently leaving the labour force. Nevertheless, concern about the basic skills of the Canadian labour force is well justified for at least two reasons.

First, the proportion of the work force requiring more than the bare minimum of basic skills is rising. Unskilled jobs in many industries and occupations have been eliminated by technological change. New

employment opportunities are concentrated in occupations requiring more than basic reading and numeracy skills and very often, advanced skills. For example, employment in primary occupations such as forestry and mining, which in the past have generally required little formal education, has fallen in the '80s. On the other hand, over two-thirds of the net increase in employment since 1981 has been in managerial and professional occupations. Needless to say, skills requirements are relatively high in these occupations.

These trends are expected to continue, if not accelerate, in the future. Employment and Immigration Canada estimates that 64% of all jobs created between 1986 and the year 2000 will require more than 12 years of education and training and that nearly one-half of new jobs will require more than 17 years of education and training. (3)

A second reason for concern is the considerable evidence to substantiate employer complaints about the poor basic skills of their employees, despite the rising formal educational attainment of the labour force. The results of Statistics Canada's [Survey of Literacy Skills Used in Daily Activities](#) (4) show that 38% of Canadians aged 16 to 69 - 6.8 million individuals - do not meet most everyday reading demands ([Table 1](#)). Not surprisingly, the problem is more common among those with low levels of schooling. The proportion is also higher for immigrants, residents of Atlantic Canada and Quebec, and the older age groups. (5) [*The next article in this issue presents more detailed information from that survey. - Ed.*]



Table 1 Percentage distribution of reading skill levels of persons aged 16 to 69, 1989

Source: Survey of Literacy Skills Used in Daily Activities

The implications of the inadequate level of basic reading and numeracy skills of the Canadian work force are significant. [The Canadian Business Task Force on Literacy](#) has estimated that in 1988 the direct cost of illiteracy to business in Canada was in the neighbourhood of \$4 billion and the cost to society at large was about \$10 billion. (6) A recent Conference Board of Canada survey (7) found that a lack of basic reading and numeracy skills leads to firms having difficulties in introducing new technologies and in upgrading the skills of workers.



Chart Percentage of persons aged 16 to 69 with reading skill levels 1, 2, and 3, 1989.

Source: Survey of Literacy Skills Used in Daily Activities

Note: The sampling variability associated with estimates for Prince Edward Island are too high for the estimates to be released.

A key challenge of the '90s will be the development of efforts that raise the basic skills level of the work force. Because of slower labour force growth in the future, the [Canadian Labour Market and Productivity Centre](#) estimates that about two-thirds of those who will be in the labour force in the year 2005 are already part of the labour force. In 1989 only one-half of the labour force was participating in the labour market 15 years earlier. This means that the problem is becoming increasingly a question of upgrading the basic skills of those currently in the labour force and less a question of ensuring that those leaving the educational system have acquired basic skills.

Job-related literacy programs in particular offer excellent opportunities to remedy the basic skills inadequacies of workers. The most effective literacy programs have been found to be those that teach reading and math skills in their "functional context", that is, in direct relation to the trainees' jobs.

Canada's training effort

Canada's training effort includes both basic skills training and training for specialized, higher-level skills. In many occupations the rapidly growing demand for skilled workers is outstripping the abilities of the educational system and immigration to supply the needed number of workers. This development has led to the creation of a skills gap. Evidence of this gap can be found in the growing number of occupations that are currently experiencing skilled labour shortages. Such occupations include air traffic controllers, aerospace engineers, software programmers, systems analysts, and electrical engineers. (8) In the past, economic downturns have eased, if not eliminated, labour shortages. Today skilled labour shortages appear to be concentrated in industries less vulnerable to the business cycle or in occupations vital to the health of a company. Consequently, these labour shortages may be more structural than cyclical in nature and will be alleviated only by increasing the supply of skilled workers through training and, possibly, through immigration.

The effectiveness of Canada's private and public training effort is thus the key determinant of our ability to meet the growing skills gap. In terms of assessing our training performance, a number of trends should be highlighted:

- on a per-employee basis, Canadian firms spend less than half as much on training as American firms;
- only 31% of Canadian firms do any formal training;
- total federal government expenditures on training have fallen as a share of the gross domestic product (GDP) since 1984-85;
- the poorly educated have a below average incidence of training.

The most comprehensive source of information on the state of private sector training in Canada is the Human Resource Training and Development Survey, an establishment-based survey conducted by Statistics Canada on behalf of Employment and Immigration Canada. (9) This survey found that in 1986-87, Canadian firms spent \$1.4 billion on training, an amount equivalent to approximately 0.6% of payroll or 0.24% of GDP. On a per-employee basis this represents about \$160 and is estimated to be less than half the level of training expenditure by American firms. (10) A more developed private sector training culture in the United States is one possible explanation for this difference.

One particularly noteworthy finding from the Human Resource Training and Development Survey was that only 31% of firms actually provide formal training for their employees. The incidence of training was low for small firms - 27% of firms with less than 10 employees provided training, compared with 76% of firms with 100 or more employees and 92% of firms with 1,000 or more employees.

Additional evidence of Canada's weakness in the area of workplace training is provided by the World Economic Forum, which ranks countries by a large number of competitiveness criteria. In 1990, Canada ranked second among the 23 member countries of the Organisation for Economic Co-operation and Development (OECD) in terms of human resources due to its relatively young population, rapid labour force growth, high levels of public expenditure on education and high enrolment rate in secondary schooling and higher education.



Table 2 **Participation and expenditure on training by company size, 1986-1987**

Source: Human Resource Training and Development Survey

But in terms of the adequacy of vocational training in meeting the needs of a competitive economy Canada did much more poorly - only 16th place. (11) This is down from 11th place in 1989.



Chart **Percentage of companies providing training by company size, 1986-87.**

Source: Human Resource Training and Development Survey

In contrast to the private sector, Canada's public sector training expenditure on a proportional basis exceeds that of the United States. OECD data for 1988 show that Canada's labour market training expenditure on adults was equivalent to 0.20% of GDP and was tenth among 23 OECD countries. Expenditures in the United States represented 0.11% of GDP. Despite the higher public expenditure in Canada, total expenditure on training, which includes both public and private sector expenditure, was still proportionately higher in the United States than in Canada (0.77% of GDP versus 0.46% in 1987). [\(12\)](#)

In absolute terms, federal government expenditure on training has been relatively stable since the mid-80s. In the 1984-85 fiscal year, total federal spending on Canadian Jobs Strategy training, which includes income support, industrial support, and direct purchases of courses, was \$1,096.7 million ([Table 3](#)). By 1989-90 the total had risen marginally to \$1,122.3 million. As a share of GDP this represents a decline from 0.24% to 0.17%. The Labour Force Development Strategy, [\(13\)](#) announced by the federal government in April 1989, has given increased priority to training. The government proposes to use revenues from Unemployment Insurance premiums to finance additional expenditure on training. This policy shift may reverse the downward trend in federal expenditure on training.



Table 3 Canadian Jobs Strategy national expenditures on training, 1976-77 to 1989-90

Source: Unpublished data supplied by Employment and Immigration Canada.

Given trends in federal expenditure on training, the number of individuals enrolled in government-sponsored institutional training courses has, not surprisingly, fallen. From the mid-70s to 1985-86, the numbers fell 20% despite a large increase in the 20-54 year-old age group, which accounts for most of the persons who enrol in government-sponsored institutional training courses. Since 1986-87, a continuing downward trend has been observed.



Chart Public expenditure on labour market training of adults in OECD countries, 1988.

Source: OECD Employment Outlook, July 1989

The results of Statistics Canada's 1987 Labour Market Activity Survey (LMAS) provide interesting

information on the incidence of training, by personal characteristics. Participants in the survey were asked if, during 1987, they had participated in any skill training, education upgrading or work experience program sponsored by Employment and Immigration Canada and if they had taken any other training that lasted more than 25 hours to learn a new job-related skill or a new job. Several interesting observations emerge from the survey:

- only 5.3% of the population aged 16 to 69 responded that they had received training in 1987 ([Table 4](#));
- not surprisingly, the incidence of training falls rapidly for those 45 and over, and particularly for those 55 and over;
- the incidence of training is lower for the poorly educated.



Table 4 Incidence of training by personal characteristics, 1987

Source: Labour Market Activity Survey, calculated by Canadian Labour Market and Productivity Centre.

The picture that emerges from the LMAS on Canada's training effort is not particularly encouraging. Given the increased importance of training in the '90s because of rising skills demands on the work force, the extent of training undertaken may be inadequate. In addition, persons with no postsecondary education have a significantly lower incidence of training than those who have completed at least some postsecondary education.

The importance of upgrading the skills of the work force for the health of the Canadian economy in the '90s is widely recognized. Mention has already been made of the federal government's Labour Force Development Strategy with its emphasis on training. A recent Canadian Labour Market and Productivity Centre survey of business and labour leaders [\(14\)](#) found that both groups believed training and education was the most important factor in improving Canada's international competitiveness ([Table 5](#)).



Table 5 Most important factor identified by business and labour leaders in improving Canadian competitiveness

Source: Business and Labour Leaders Speak Out on Training and Education, Canadian Labour Market and Productivity Centre, January, 1990. This survey was carried out in Spring, 1989.

Implications and conclusions

This article has focused on the training needs of Canada's work force in the '90s. The serious deficiencies that have been found in the basic skills levels of many Canadian workers are likely to become a challenge to both the private and public sectors in the years ahead. Canada currently appears to be lagging behind its major competitors in its workplace training effort.



Chart **Enrolment in federally sponsored institutional training courses.**

Source: Unpublished data supplied by Employment and Immigration Canada.

When combined with the rapidly growing skill requirements of the workplace, a potential labour market crisis may be emerging. Those without skills may find themselves increasingly disadvantaged in the job market. Firms unable to recruit qualified personnel may grow at less than their potential and may be forced to initiate or extend their own training efforts.

A large number of reports have recently drawn attention to this situation and its implications for the Canadian economy. [\(15\)](#) These reports have consequently stressed the importance of making our training effort more effective. All of these reports have emphasized the need for Canada to develop a national training culture where the priority placed on education and training is greatly enhanced.



Chart **Incidence of training by province for persons aged 16 to 69, 1987.**

Source: Labour Market Activity Survey

Rapidly changing technologies and economic circumstances now mean that workers must upgrade existing skills and learn new skills throughout their working lives. Employers, unions, governments, and of course employees, all have a role to play to ensure that the increased training needs of the '90s are met.

Notes

Note 1

This article is drawn from a paper entitled "Les défis pour le Canada dans le domaine de l'enseignement et de la formation", presented at the annual conference of the [Association des économistes québécois](#) sur L'éducation et la formation à l'heure de la compétitivité internationale, Hull, Quebec, April 19-20, 1990.

Note 2

Labour Force Survey data show that, in 1975, 20.3% of the labour force had eight years or less of schooling. By 1989 this proportion had dropped to 8.9%. At the other end of the spectrum, the share of the labour force with a university degree has risen from 9.2% in 1975 to 14.9% in 1989. See [Statistics Canada](#), *Labour Force Annual Averages* (1983); and [Statistics Canada](#), *The Labour Force* (1990).

Note 3

See [Employment and Immigration Canada](#), *Success in the Works: A Profile of Canada's Emerging Workforce* (1989).

Note 4

See [G. Montigny](#), *Survey of Literacy Skills Used in Daily Activities: Reading Skills* (1990). This survey classified Canadians aged 16 to 69 into four levels of reading, writing and numeracy skills on the basis of their performance on a series of tests conducted in one of Canada's two official languages. Persons classified to levels 1, 2 and 3 are considered to have skills too limited to deal with most everyday reading demands. The Southam Literacy Study found that in 1987, according to its definition of literacy, 24% of the population aged 18 and over - 4.5 million individuals - were illiterate. See [The Creative Research Group Ltd.](#), *Literacy in Canada: A Research Report prepared for Southam News* (1987).

Note 5

Similar results were found in the numeracy portion of the survey, the results of which were released on July 17, 1990.

Note 6

See [Canadian Business Task Force on Literacy](#), *Measuring the Costs of Illiteracy in Canada* (1988). The estimates, prepared by management consultants Woods Gordon, are based on a review of the available literature and on interviews with business and government organizations in Canada and the United States. The task force cautions that its estimates are "typically only best guesses, the accuracy of which may be questioned" and that the "main value of this report will therefore be as a preliminary agenda for future research" (p. 3).

Note 7

See [B. Des Lauriers](#), *Canadian Business Review* (1989).

Note 8

Two sources for listings of occupations experiencing shortages are [M. Charron et al.](#), *Surplus et pénuries de main-d'œuvre prévus au Québec et dans ses régions pour 1990* (1989); and [Ministry of Skills Development](#), *Adjusting to Change: An Overview of Labour Market Issues in Ontario* (1988). Projected overall growth in labour demand for various skilled occupations in Canada for the 1986-1995 period is found in [Employment and Immigration Canada](#), *Job Futures: An Occupational Outlook to 1995* (1987).

Note 9

See [Statistics Canada](#), *Distribution Report: Human Resource Training and Development Survey* (1989).

Note 10

See [Employment and Immigration Canada](#), *Success in the Works: A Profile of Canada's Emerging Workforce* (1989).

Note 11

See [IMEDE International Management Development Institute and World Economic Forum](#), *The World Competitiveness Report, 1990* (1990).

Note 12

The proportion for the United States is taken from [A. Carnevale and L. Gainer](#), *The Learning Enterprise*, (1989). The proportion for Canada is calculated from results of the Human Resource Training and Development Survey, 1987.

Note 13

See [Employment and Immigration Canada](#), *Success in the Works: A Policy Paper: A Labour Force Development Strategy for Canada* (1989).

Note 14

See [Canadian Labour Market and Productivity Centre \(CLMPC\)](#), *Business and Labour Leaders Speak Out on Training and Education* (1990).

Note 15

These reports include two CLMPC documents: *The Report of the Business/Labour Task Force on Adjustment: Working Together to Manage Change* (1989) and the *Report of the CLMPC Task Forces on the Labour Force Development Strategy* (1990); the report of the federal government's Advisory Council on Adjustment entitled *Adjusting to Win: Report of the Advisory Council on Adjustment* (1989) (also known as the de Grandpré report); the mutual position paper of the provinces and territories entitled *Partners For People: A Human Resource Adjustment and Development Strategy for the 1990s* (1989);

the Canadian Chamber of Commerce, *Focus 2000: Report of the Task Force on Education and Training* (1989); and the Economic Council of Newfoundland and Labrador report entitled *Education and Labour Market Training: Pre-requisites to Economic Development in Newfoundland and Labrador* (1990). The Ontario Premier's Council has released a report *People and Skills in the New Global Economy* (1990).

In the United States, the *Economic Report of the President Transmitted to the Congress* (1990) has devoted a large section to the issues of education and training. The Commission on Workforce Quality and Labor Market Efficiency also dealt with education and training issues in its 1989 report entitled *Investing in People: A Strategy to Address America's Workforce Crisis* (1989). Mention should also be made of the 1989 report of the M.L. Dertouzos et al. entitled *Made in America: Regaining the Productive Edge* (1989).

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Source

Perspectives on Labour and Income, Winter 1990, Vol. 2, No. 4 (Statistics Canada, Catalogue 75-001E). This is the second of six articles in the issue.


 HIGHLIGHTS

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 FRANÇAIS

 HELP

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Table 1

Percentage distribution of reading skill levels of persons aged 16 to 69, 1989

	Level 1	Level 2	Level 3	Level 4
Both sexes*	7	9	22	62
Males	5	9	23	63
Females	5	10	22	63
16-24 years	1	5	23	71
25-34 years	2	5	17	76
35-54 years	4	10	23	63
55-69 years	15	21	29	36
No schooling or elementary	27	33	28	12
Some secondary	3	13	35	48
Secondary completed	--	6	22	70
Trade school	--	--	25	63
Community college	--	--	15	81
University	--	--	8	89
Born in Canada	3	9	22	66
Immigrants	14	14	24	48

Source: Survey of Literacy Skills Used in Daily Activities

** Persons who reported having no skills in either of Canada's official languages are included in Level 1. They are excluded from all other figures in this table.*

Level 1 Difficulty dealing with printed materials. Individuals most likely identify themselves as people who cannot read.

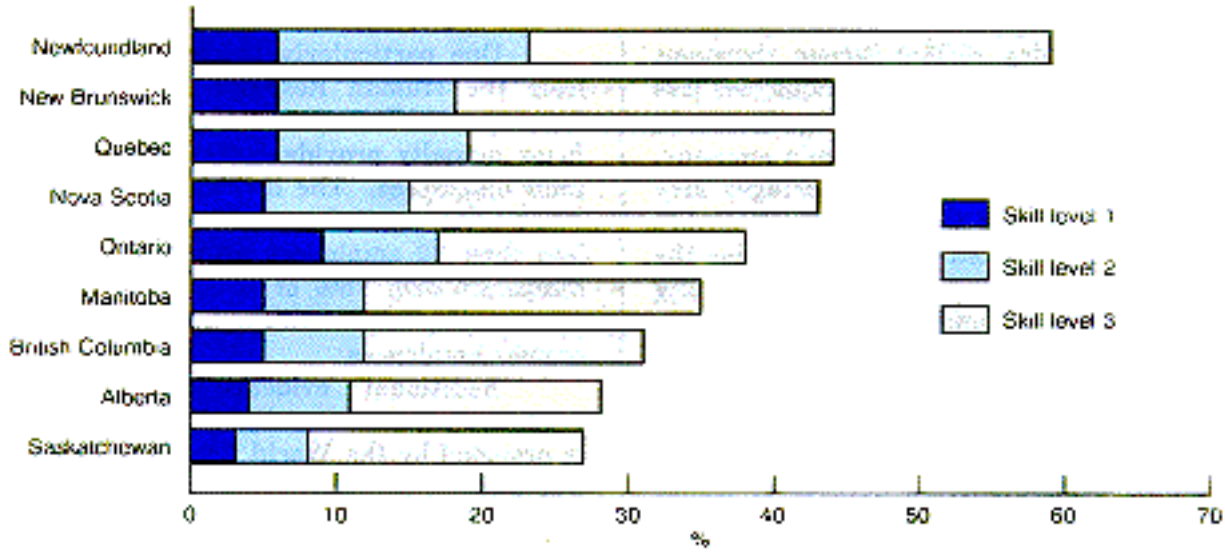
Level 2 Ability to use printed materials only for limited purposes such as finding a familiar word in a simple text.

Level 3 Ability to use reading materials in a variety of situations provided the material is simple, clearly laid out and the tasks involved are not too complex.

Level 4 Ability to meet most everyday reading demands. This is a large and diverse group which exhibits a wide range of reading skills.

Percentage of persons aged 16 to 69 with reading skill levels 1, 2, and 3, 1989

The percentage of persons with limited reading abilities varies considerably from province to province.



Source: Survey of Literacy Skills Used in Daily Activities

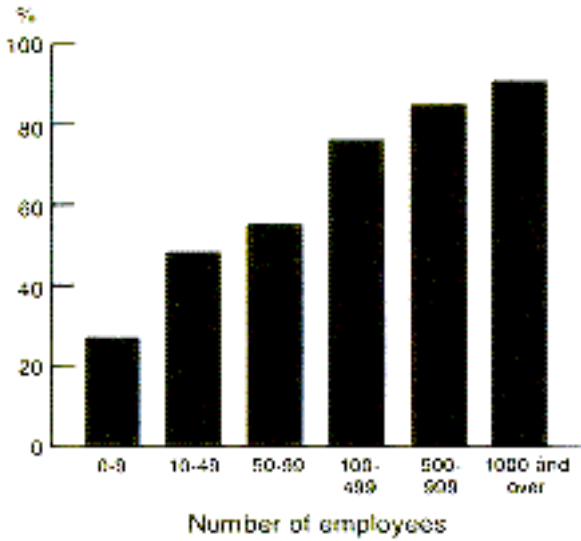
Note: The sampling variability associated with estimates for Prince Edward Island are too high for the estimates to be released

Table 2			
Participation and expenditure on training by company size, 1986-1987			
Number of employees	Distribution of all companies	Number of participants per 100 employees	Average expenditure per participant
	%		\$
All sizes	100	27	570
0-9	83	18	760
10-49	15	19	540
50-99	1	15	490
100-499	1	20	540
500-999	--	32	610
1,000 or more	--	48	540

Source: Human Resource Training and Development Survey

Percentage of companies providing training by company size, 1986-87

The larger the company, the more likely it is to provide training for its employees.



Source: *Human Resource Training and Development Survey*

Table 3

Canadian Jobs Strategy national expenditures on training, 1976-77 to 1989-90

Fiscal year	Total ¹	Income support ²	Industrial support	Direct purchase of courses ³	Job entry training ⁴	Other ⁵
	\$ millions					
1976-77 ⁶	545.0	200.2	59.5	265.5	...	19.8
1977-78 ⁶	588.6	209.7	76.7	282.4	...	19.8
1978-79 ⁶	635.1	219.7	83.7	300.9	...	30.8
1979-80	669.7	221.5	102.1	320.3	...	25.8
1980-81	770.0	261.4	113.6	366.4	...	28.6
1981-82	829.8	272.2	137.7	403.7	...	16.2
1982-83	925.9	315.0	110.2	469.8	...	30.8
1983-84	1,021.3	337.2	131.2	505.8	...	47.1
1984-85	1,096.7	335.4	156.3	501.6	6.8	96.6
1985-86	1,055.8	372.3	76.4	510.8	42.2	54.1
1986-87	1,123.6	417.8	58.1	479.1	124.5	44.1
1987-88	1,055.1	398.5	60.5	437.8	130.6	27.7
1988-89	1,024.2	392.7	74.7	399.2	140.8	16.8
1989-90	1,122.3	454.2	81.7	449.4	132.8	4.2

Source: Unpublished data supplied by Employment and Immigration Canada.

¹ Excludes the federal government summer student program Challenge.

² Includes Direct Purchase Option Allowances and use of UI section 26 funds.

³ Includes purchase of apprentice courses, skill-related courses and other types of courses such as language training, basic life skills and occupational orientation courses. Excludes provincial administration costs and includes Coordinating Groups.

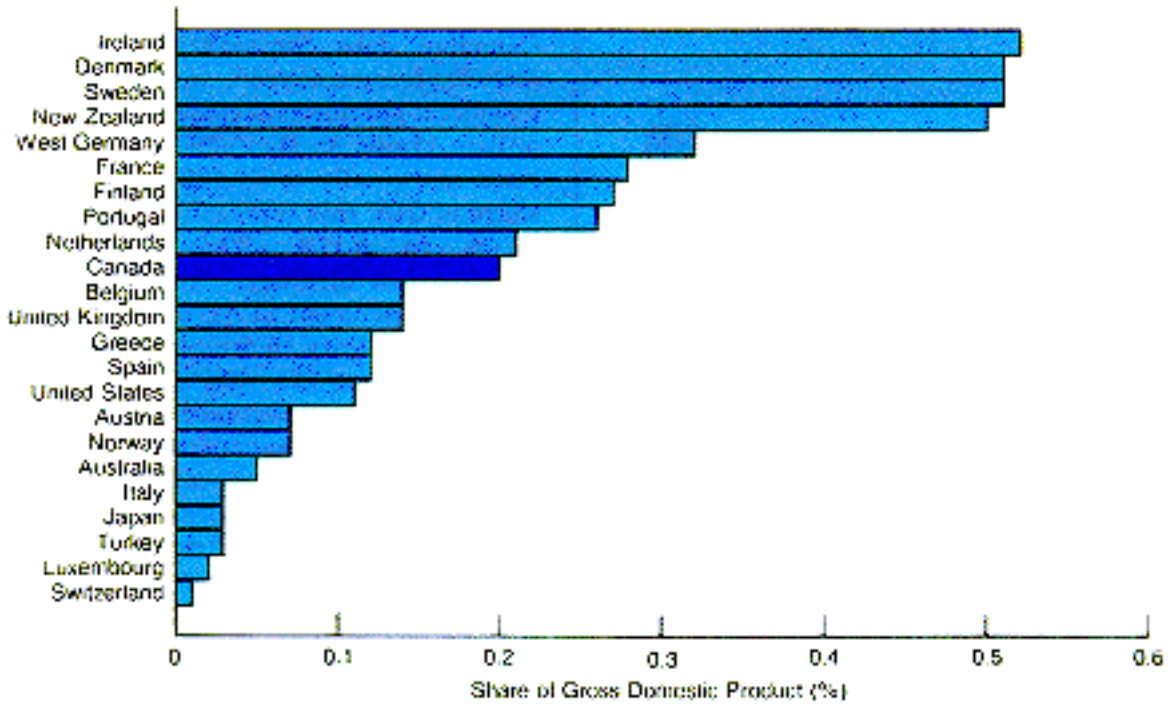
⁴ Includes Youth Training Option (YTO) only for 1984-85 and new Job Entry and YTO for 1985-86. For 1986-87 to 1989-90, figures include Entry and Re-entry Option.

⁵ Includes training support programs such as Skills Growth Fund, Training Trust Fund, grants to provinces and provincial administration costs (the latter for 1976-77 to 1985-86).

⁶ Excludes Training Improvement Program.

Public expenditure on labour market training of adults in OECD countries, 1988

Canada ranked tenth in spending on labour market training programs in 1988.



Source: OECD Employment Outlook, July 1989

Table 4		
Incidence of training by personal characteristics, 1987		
	Persons who took training*	Distribution
	%	
Both sexes	5.3	100.0
Male	5.8	49.1
Female	4.8	50.9
Labour force activity in 1987		
Employed/no unemployment	6.0	64.8
Employed/unemployment	8.3	12.1
Unemployed/no employment	6.6	2.6
Not in the labour force	1.0	20.5
Age		
16-24	7.0	20.4
25-44	6.9	46.6
45-54	3.5	14.6
55-69	1.0	18.5
Education		
None/elementary	1.0	14.6
High school (some or completed)	4.9	49.4
Some postsecondary	7.8	10.5
Postsecondary, certificate or diploma	7.3	13.3
University degree	7.8	12.3
Visible minority		
Yes	4.5	7.4
No	5.3	92.6
Language first spoken		
English	6.0	59.0
French	4.8	26.2
Other	3.1	14.8
Country of birth		

Canada	5.7	82.1
Other	3.5	17.9

Source: Labour Market Activity Survey, calculated by Canadian Labour Market and Productivity Centre.

** Includes persons who participated in any skill training, education upgrading, or work experience program sponsored by Employment and Immigration Canada in 1987 and persons who took any other training that lasted more than 25 hours*

to learn a new job-related skill or to get a new job in 1987.

Table 5

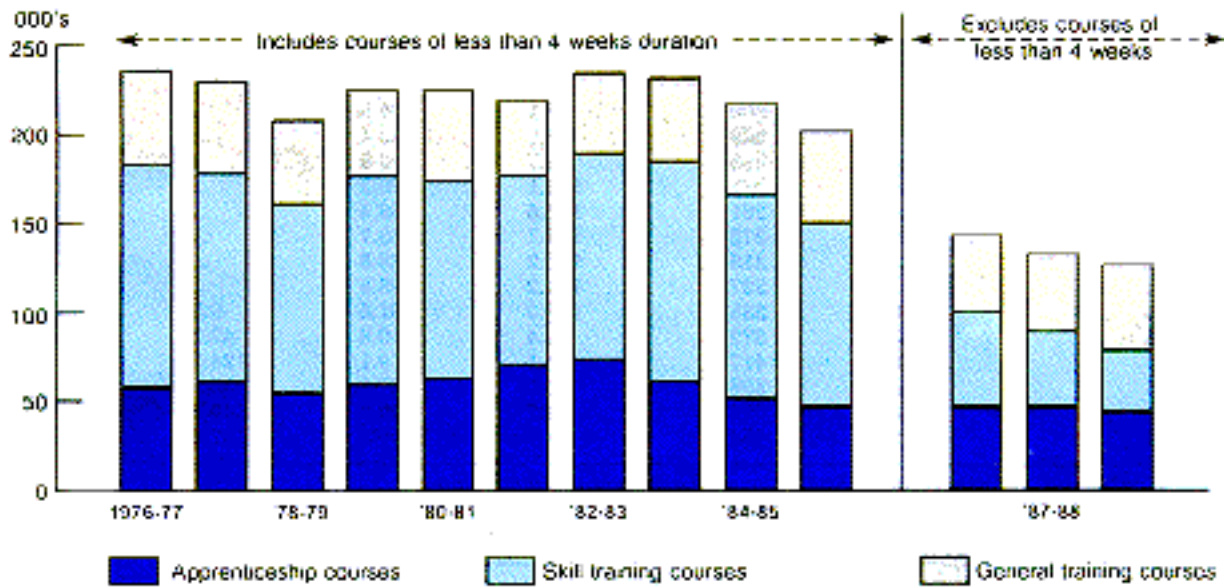
Most important factor identified by business and labour leaders in improving Canadian competitiveness

	Business leaders	Labour leaders
	%	
Total	100	100
Training and education	35	38
Lower government deficits	16	0
Increased research and development	14	26
More overseas sales	10	10
Canadian dollar below \$0.85US	8	4
Industrial policies	7	5
Less regulation	3	0
Employee participation	3	0
Consumption taxes	2	0
Lower interest rates	1	17

Source: Business and Labour Leaders Speak Out on Training and Education, Canadian Labour Market and Productivity Centre, January, 1990. This survey was carried out in Spring, 1989.

Enrolment in federally sponsored institutional training courses

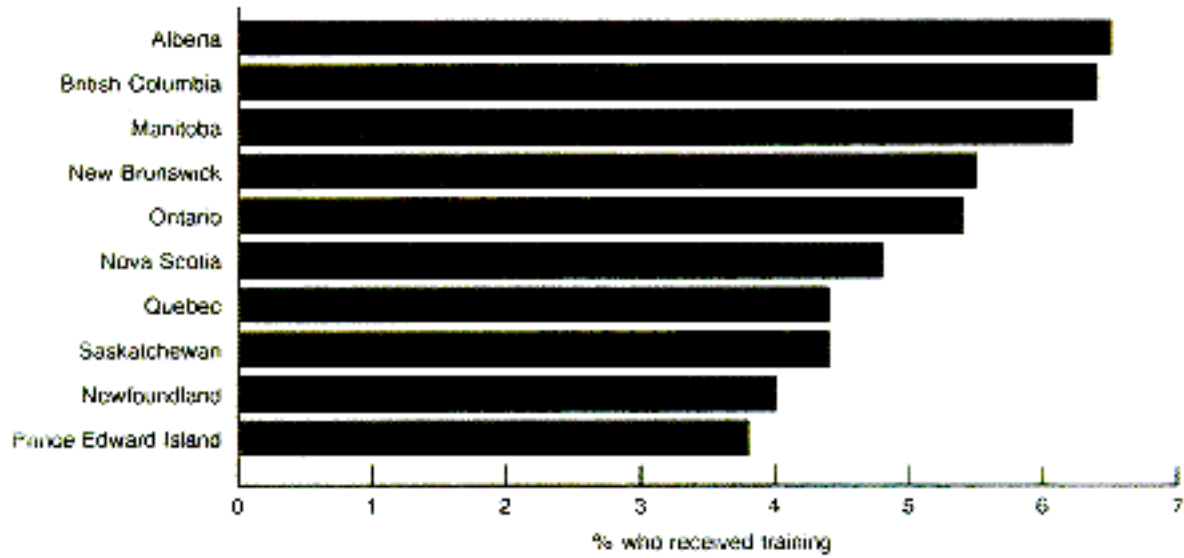
Enrolment in federally sponsored institutional training courses has declined since the mid-80's.



Source: Unpublished data supplied by Employment and Immigration Canada.

Incidence of training by province for persons aged 16 to 69, 1987

The incidence of training is highest in Western Canada.



Source: Labour Market Activity Survey