

## Do we really have shortages in the skilled trades?

Many Canadian business leaders and educators are concerned about a shortage of workers in the skilled trades. Before the recession, there seemed to be daily press coverage highlighting the lack of plumbers, pipefitters, and plasterers to respond to residential and business needs. Governments have responded to this perceived shortage with a panoply of programs, including the Apprenticeship Incentive Grant, the Apprenticeship Job Creation Tax Credit, and the Tradesperson's Tool Deduction. Campaigns to encourage young people to go into the skilled trades have also been initiated, on the premise that too few young people are seeking a career in the trades.

Economists are more skeptical of the risk of a long term shortage of trades people. In economic terms, a real labour shortage will drive up wages which in turn will attract more workers into the skilled trades. Obviously, the real world is a lot more complicated, and there can be severe shortages at specific times and in specific regions.

Let's examine the evidence. We start by looking at the **supply** of skilled trades people. The concern here is that young people are not joining the trades and that a high percentage of trades people are older and close to retirement. Our review of Statistics Canada data suggests that these concerns are unfounded. The average age for skilled trades workers has been steady since 2004, while it has increased for all other occupations. Moreover, the number of older workers (55+) is about the same as younger workers (15-29), and this has been the case since 1992. Other research also supports this conclusion. For instance, Wendy Pyper finds that the ratio of new-entrants to near-retirees in the trades is more balanced among the trades than among other occupations across the economy.<sup>a</sup>

Another indicator of the labour supply trend is to look at registration rates for apprenticeship programs. Our research finds that new registrations for apprenticeship programs grew at an average annual rate of 9 percent between 1996 and 2005, while employment growth among the trades averaged 2 percent in that same period. This points to a challenge. The issue does not appear to be that young people do not want to get into the trades, it is that completion rates are poor. If we want apprenticeships to be more effective, we need to address their relatively high attrition rates, especially among trades where certification is not compulsory.

Finally, another factor that could be constraining the supply of trades people is the bottlenecks in supply created by legislation. In particular, restrictive apprentice-journey-person ratios may mean that too few workers with the necessary skills are available.

Turning now to the **demand** side of the shortage issue, our research shows that growth in employment in the skilled trades has been slower than growth across all other occupations. Moreover, the unemployment rate for the skilled trades matches that of all other occupations – the major exceptions being during the recession of the early 1990s, where skilled trade unemployment exceeded all other occupations by about 2 to 3 percentage points, and during the current recession.

<sup>a</sup> Wendy Pyper, "Skilled trades employment," Statistics Canada, Perspectives, Catalogue no. 75-001-X, October 2008.

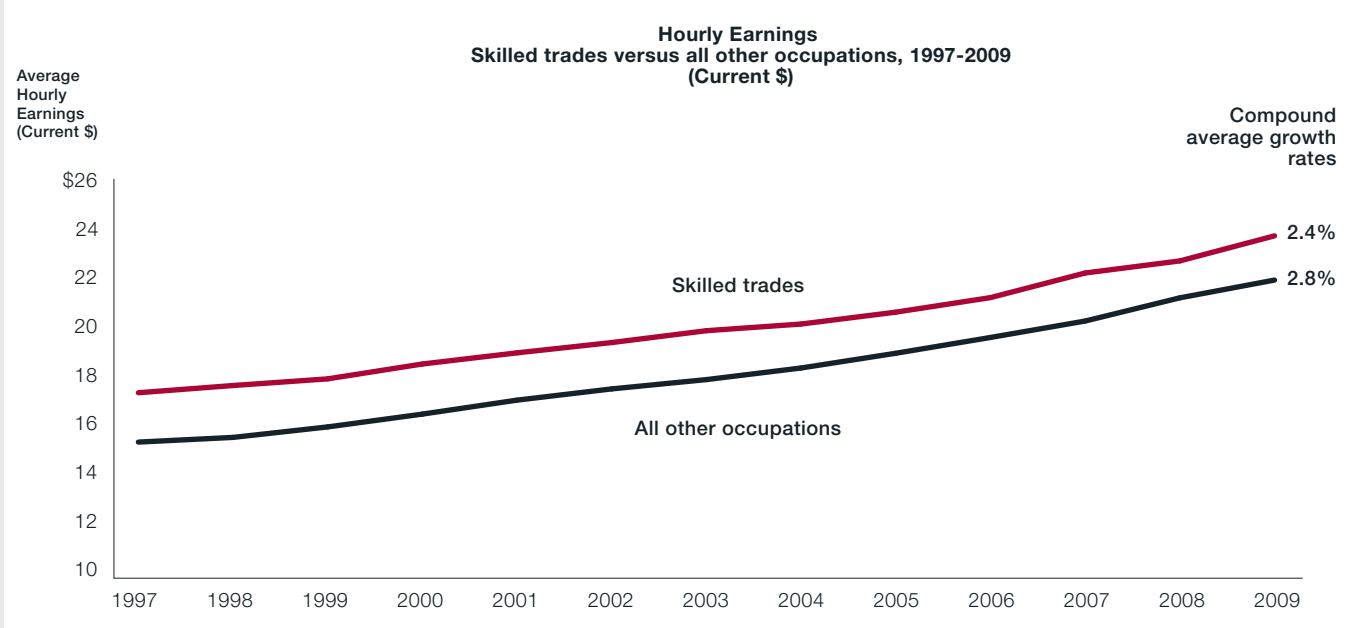
But these national statistics smooth over regional disparities. While growth in eastern Canada has been nil, it has been very buoyant in the west – home of the resource industries. Furthermore, unemployment among the skilled trades was particularly low in western Canada just prior to the current recession. These findings suggest that strong economic growth in the west may have strained the available supply of trades people, leading to temporary labour shortages there.

Still, if there were shortages, we would also expect to see wages growing faster among the trades than among all other occupations. Our research, however, finds that growth in compensation has been slower among the skilled trades than among all other occupations. While wages are higher than the average for all occupations, they're not growing any faster (*Exhibit A*). Andrew Sharpe of the Centre for the Study of Living Standards, in his analysis of reported skilled trades shortages in manufacturing, argues that shortages in that sector are partially driven by the inability of manufacturers to attract workers at wages they can competitively sustain.<sup>b</sup> Thus, the observed lack of wage growth may still coincide with shortages, at least in that sector. This isn't just a problem of labour shortages, but of unsustainable business models.

On balance, it would appear that strong economic growth in western Canada may have created temporary trades person shortages. With the current economic slow-down, the issue has been made less pressing.

In summary, at a national level, there is little evidence to support the existence of a secular trades person shortage. However, there still remain issues of effectiveness in our trades and apprenticeship strategies. The issues of poor apprenticeship completion rates, as well as legislative bottlenecks such as restrictive apprentice-journey person ratios will need to be addressed if we are to avoid future trades person shortages.

**Exhibit A Wages among skilled trades and other occupations have grown at the same rate**



Note: Skilled Trades are defined as NOC-S groups H1 (Construction trades), H2 (Electrical trades), H3 (Machinists) & H4 (Mechanics). Source: Institute for Competitiveness & Prosperity analysis based on Statistics Canada, Labour Force Survey.

<sup>b</sup> Andrew Sharpe, Jean-Francois Arsenault, and Simon Lapointe, "Apprenticeship Issues and Challenges Facing Canadian Manufacturing Industries," Centre for the Study of Living Standards, February 2008.