

Looking Ahead

Bulletin 4 • March 2021



Addressing Atlantic Canada's Labour Challenge

Atlantic Canada needs people. This has been a consistent message in our first three bulletins in this *Looking Ahead* series. If this region is to sustain even the modest rates of economic growth that we are projecting, we are going to need more people working.

Why do we need more people? Our demographics indicate that 50% more Atlantic Canadians will reach retirement age over the next two decades than will enter the labour market. As a result, our labour force would shrink by 130,000 by 2040 without more people moving to the region or a higher proportion of those already here participating in the job market.

Where will we find more people? Some are already here. Improving the participation of underrepresented demographic groups should be a key priority to ensure inclusive economic growth. Other individuals may move back home from elsewhere in Canada. And we can attract more skilled individuals and families from other countries who want to make this region their new home.

And it's not just about the number of people. We need individuals with the skills required where the work needs to be done. So there needs to be an emphasis on training and education to help ensure workers have the skills they need.

What if we don't find enough people with the required skills? Then we will need even greater investments in new technology, including machinery, equipment and software, to boost output and reduce the number of workers needed. Without more people and/or more investment in capital and skills upgrading, our economic growth will be constrained.

Highlights

- APEC estimates that the region needs to retain an average of 13,000 to 16,000 immigrants per year to sustain economic growth. If the region only retains 75% of new immigrants, it will need to attract 18,000 to 22,000 immigrants per year to meet our labour force needs.
- Atlantic firms and governments need to invest in technology to remain competitive and meet the needs of citizens. Increasing investment can boost productivity, raise growth and/or reduce the number of new workers needed.
- Atlantic Canada can nurture inclusive growth and address its labour challenge by improving participation and employment rates for various demographic groups.

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Immigrants Needed

We project that the Atlantic region will need to attract and retain an increasing number of immigrants over the next two decades, as we showed in Bulletin 1. On average, Atlantic Canada will need 13,000 to 16,000 immigrants each year, with the number depending upon net flows of people to and from other parts of Canada.

Not all immigrants stay in Atlantic Canada, so we will need to attract an even larger number. Currently only about 70% of immigrants who arrive here are still in the region five years after arrival. If we could achieve a retention rate of 75% over the next two decades, then Atlantic Canada would need to attract an average of 18,000 to 22,000 immigrants per year. Improving immigrant retention rates needs to be a key part of our people strategy.

What if the region cannot attract and retain a sufficient number of immigrants with the skills we need? Without other sources of labour or an increase in labour productivity, such as through automation, our growth would be constrained. Firms will miss out on opportunities or will have to relocate work outside of the region.

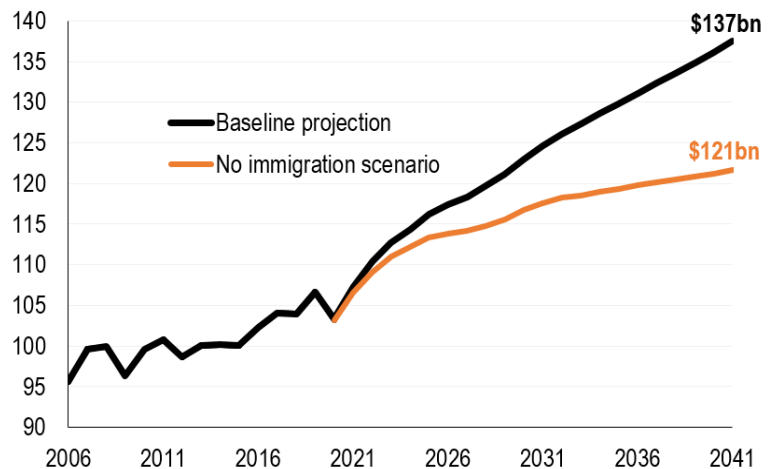
To put this in perspective, let's assume the region was not able to attract and retain any immigrants over the next two decades. In this scenario, the region's economy would grow 0.8% per year, about half the rate in our baseline projection. This would result in output (real GDP) being \$15 billion, or 11%, lower in 2040 than our baseline scenario.

Both urban and rural regions need immigrants, as we emphasized in Bulletin 3, or risk facing slower growth. Towns and communities outside of our top six cities (Halifax, St. John's, Charlottetown, Fredericton, Moncton and Saint John) received 20% of all Atlantic immigrants since 2016. Going forward, we project they will need about 40% of the region's immigration. In a scenario where these regions do not attract and retain any immigrants, their growth would stall with employment 45,000 lower in 2040 than our baseline projection.

If Atlantic Canada were to attract and retain a larger number of immigrants than in our baseline projection, it would allow the region to grow at a faster pace.

Atlantic Canada Needs More People To Ensure Growth

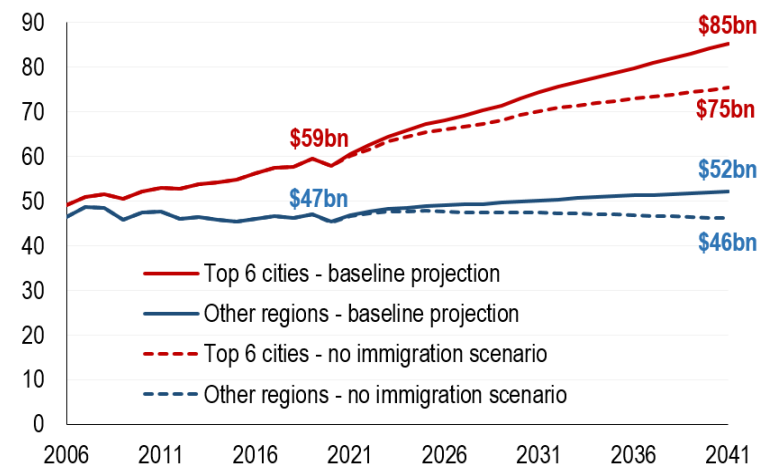
Real GDP, Atlantic Canada (billions of chained 2012 dollars)



Source: Statistics Canada, APEC

Both Urban and Rural Regions Need Immigration to Support Their Growth

Real GDP, Atlantic Canada (billions of chained 2012 dollars)



Source: Statistics Canada, APEC

Investment and Productivity

Investment in buildings, machinery, equipment, software and skills upgrading are vital for economic growth.

Our baseline projection assumes that Atlantic Canada's overall productivity growth will be 0.8% per year, slightly faster than the 0.6% average annual growth over the period 2006 to 2019. Without this boost to labour productivity, Atlantic Canada's output (real GDP) would be \$7 billion, or 5%, lower in 2040 than our baseline projection.

If this boost to regional productivity is to be achieved by capital investment alone, it could require an increase in annual capital spending of about \$3 billion. Capital investment in Atlantic Canada averaged \$14 billion per year over the past decade.

If the Atlantic region is not able to attract and retain all the immigrants we need, a greater boost to productivity growth would be required to meet our baseline output projection. For example, in a scenario in which there is no immigration to Atlantic Canada, annual productivity growth would need to double from recent rates to meet our baseline output projection.

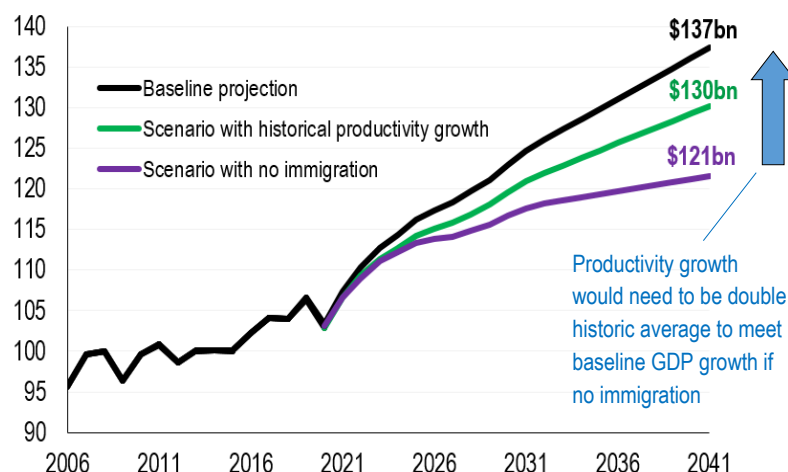
Whether the region's economic growth is more labour, skills, or capital intensive will depend on several factors and will vary by firm and industry. For example, some industries and occupations offer greater potential for automation. Investment in any new technology typically requires investment in training and skills development for workers to be able to fully utilize new software or equipment. Changes to business processes and operations can sometimes raise productivity by reducing inefficient practices, with little capital investment.

The expected rates of return on investments in capital, skills and training, and attraction and retention of workers will be a key factor in the choices made by firms and other employers. Tax rates and government incentives and programs can discourage or aid corporate investments while a stable and clear regulatory environment can help facilitate long-term investments. Wages will trend upward with labour shortages.

Investments in new technology are not just about helping meet the region's labour challenge. Atlantic Canada is lagging in terms of investment in new technology. These types of investments are critical to ensure Atlantic firms keep up with their competitors. Investments in clean technology will also be increasingly important to ensure sustainable growth.

Investment and Productivity Growth Critical For Atlantic Canada's Prosperity

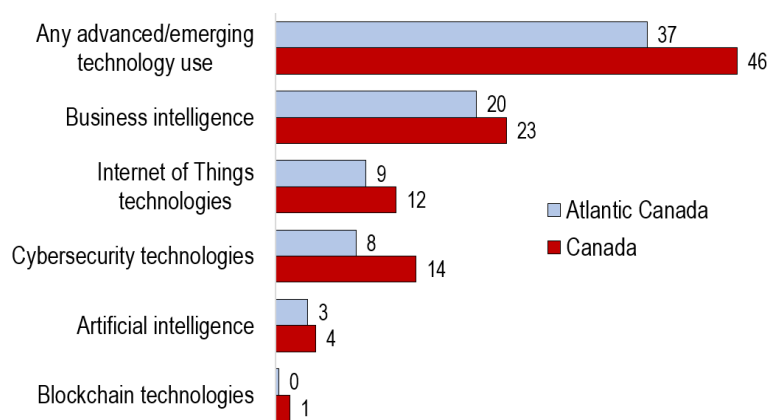
Real GDP, Atlantic Canada (billions of chained 2012 dollars)



Source: Statistics Canada, APEC

Atlantic Canada Lagging in Technology Adoption

Share of firms using advanced or emerging technologies, 2017 (%)



Source: Statistics Canada, Survey of Innovation and Business Strategy

Increased Participation

In our baseline projection, growing demand for Atlantic goods and services, combined with faster productivity growth, will increase employment by 130,000 by 2040.

To ensure people are available to fill these jobs, we project an increase in immigration (i.e. newcomers to the region) and a modest increase in labour force participation for those already here. The participation rate measures the proportion of the population aged 15 and older who are available and looking for work.

With unchanged participation rates for each age cohort, the region's overall participation rate would fall from 60% in 2019 (pre-COVID-19) to 56% by 2040. This is because there will be more seniors and their participation rate in 2019 was only 12%, compared with 86% for those aged 25-55 years. Instead, we assume that the overall participation rate will rise to over 61% by 2040, as more people are enticed into the workforce and older workers choose to work longer.

What are some of the potential sources of local labour that could help fill the projected growth in jobs?

The current participation rate of females is about seven percentage points lower than males. Increasing the participation rate of women to that of men would provide an additional 71,000 Atlantic workers. Similarly, increasing the participation rate of disabled persons in Atlantic Canada by five percentage points could provide 18,000 new employees.

With longer life expectancy, encouraging workers to remain in the workforce longer would help. Every five percentage point increase in the participation rate of older workers (aged 55 to 69 years) would add 24,000 people to today's workforce.

Helping more workers find jobs is also important. Reducing the region's overall unemployment rate to the national rate would bring 37,000 people into employment. This is particularly important for marginalized communities such as Black Atlantic Canadians. It also important for Indigenous people, which is a fast growing part of our region's population.

Various policies and initiatives may be required to reduce barriers to participation and employment. This is important to help meet the region's labour challenge and to ensure inclusive growth.

Labour Market Policies Can Help Expand Atlantic Canada's Labour Force and Increase Employment

Estimated gain in employment from labour market interventions, Atlantic Canada, 2019

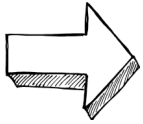
	Additional workers	% of employment
Increasing the participation rate of females (58%) to that of males (65%)	71,000	6.3
Increasing the participation rate of older workers [55 to 69] by five percentage points	27,000	2.4
Increasing the participation rate of those with disabilities (56%) by five percentage points *	18,000	1.6
Reducing the Atlantic unemployment rate (8.7%) to that of Canada (5.7%)	37,000	3.3
Reducing the unemployment rate for Indigenous workers (18%) to that of non-Indigenous persons (12%) **	4,000	0.4
Reducing the unemployment rate for Black Atlantic Canadians (16%) to that of non-minorities (12%). **	700	0.1

Source: Statistics Canada, APEC

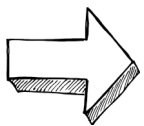
*2017 Canadian Survey on Disability

** 2016 census

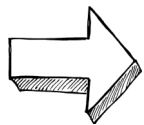
Business Takeaways



Employers need proactive, multi-pronged strategies to attract, train and retain workers with the skills they need. The region is facing a prolonged skills challenge due to our demographic trends and ongoing economic and technological disruption.



Investment in new technology, including automation, digitalization and clean technology, is essential for Atlantic firms to remain globally competitive and should also be a key element of strategies to respond to labour challenges.



Initiatives to promote diversity and reduce barriers to labour force participation will be important for all employers to help ensure inclusive and sustainable growth.



Policy Priorities



With fewer people, skills matching is more important than ever. Education and training institutions need to be responsive to the changing skill needs of this region.



Governments need to review their programs to ensure they facilitate necessary adjustments in our labour market including youth transitions into the labour market, helping displaced workers find new opportunities, retaining older workers, hiring and retaining international workers and greater use of remote work.



Governments need to ensure their fiscal and regulatory environment is conducive to firms investing in new technology.

Related Reading

APEC (2020). [Labour Skills Shortages in Atlantic Canada: An Assessment and Discussion of How to Move Forward](#), Research Report, January.

APEC (2012). [Meeting the Skills Challenge: Five Key Labour Market Issues Facing Atlantic Canada](#), Research Report, October.

APEC (2020). [Bouncing Back: How to spur innovation in Nova Scotia post-COVID-19](#), Research Report, October.

APEC (2021). [Increased Digitalization and Automation Needed to Support the Recovery](#), Research Report, March.

Recent Bulletins

- [APEC's Economic & Demographic Projections](#)
- [Atlantic Canada's Aging Population](#)
- [Atlantic Canada's Urban and Rural Dynamics](#)

Next Bulletin

- Migration Questions: COVID-19, Aging and Diversity

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Discussion Questions

Talent

- What are the key talent challenges facing your business today? How effective are your current strategies to address these challenges?
- What will be the key talent challenges facing your business in 5-10 years time and how are you preparing now to meet these needs?
- Are you seen as an inclusive and diverse employer?
- Do you need to do more to attract and retain international workers?
- What is the biggest change you need to make to ensure you have the talent you need for the future?

Technology

- What types of investments in technology are your competitors making and do you have a plan to remain technologically competitive?
- How can technology investments reduce your need for workers in hard-to-fill positions?
- Do you have a business strategy that integrates investments in technology and people for sustainable growth?
- Do you have a plan to invest in clean technology and other initiatives to ensure the sustainable growth and operation of your business?
- Are you planning to invest in process improvements, automation or digitalization to find efficiencies, integrate resources and capabilities and improve productivity?

Economic Policy

- What changes need to happen in the education and training system to better prepare graduates for success in the workplace?
- What changes could governments make to make it easier for you to attract, develop and retain the talent you need?
- How do immigration programs need to be improved to be more effective?
- How can immigrant settlement associations, municipal governments, community economic development agencies and other stakeholders work together to improve immigrant retention?
- What changes could governments make to reduce the barriers to investment in technology?

These questions are designed to help facilitate further reflection and dialogue with your team, industry or business association, policymakers and other stakeholders.

About APEC

The **Atlantic Provinces Economic Council (APEC)** is the source for independent research, insights and ideas vital to supporting a healthy, inclusive and sustainable Atlantic Canadian economy.

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