Ageing and Skill Shortages: An Overblown Threat

Friday, August 20, 2004 – Despite dire predictions to the contrary, there is no evidence that Canada faces a looming general shortage of skilled workers as a result of our ageing population.

That's one conclusion of a new report from Canadian Policy Research Networks. ***Labour Force Ageing and Skill Shortages in Canada and Ontario*** is by Julie Ann McMullin and Martin Cooke of the Department of Sociology and the Workforce Aging in the New Economy Project at the University of Western Ontario, with the collaboration of Rob Downie.

The authors review the demographic data, examine the age structures and retirement ages of different industries and occupations, isolate the relationship between skills shortages and labour force ageing and assess the impact of workforce ageing relative to a number of other factors that affect skill shortages. Finally, they investigate four "cases" in Ontario – nursing, information technology, skilled trades in manufacturing, and the biotechnology sector.

"We conclude that workforce ageing is not the only, nor necessarily the most significant determinant of skill shortages," says McMullin.

The authors identify four key factors affecting skill shortages:

- the age structure of the current workforce;
- the time required for training;
- the geographic mobility of workers; and
- working conditions that affect attracting and retaining workers.

"While these factors may combine to create certain skill shortage "hot spots" in particular industries or occupations," McMullin says, "talk of a general skills "crisis" sparked by an ageing workforce is inappropriate. Wage levels, working conditions and education and training policies may be just as influential."

For example, nursing occupations do not exhibit the oldest workforces, but are among the most likely to experience very high cumulative retirement rates in the next decade. Other occupations may have older profiles, but have a higher average retirement age.

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“Clearly, labour market policies addressing skill shortages need to look beyond the fact of an ageing workforce to consider industry and occupation-specific issues and the whole complex of factors involved,” says McMullin.

The paper suggests several policy options to increase the ability of labour markets to meet the demand for skills, particularly in relation to labour force ageing. Among them:

- immigration policies targeting skills in short supply;
- encouraging higher rates of labour market participation by under-represented groups, like Aboriginal people and lone mothers;
- removing barriers to training and labour force participation, generally;
- promoting phased retirement and workplace flexibility to prolong participation of older workers;
- promoting life-long learning and active ageing, including training throughout working life and promotion and advancement for older workers; and
- encouraging employers to recruit an age-balanced workforce to achieve the optimal age structures for their enterprises.

“This collection of policies will help us respond more effectively to future skill shortages, and also encourage people to work longer and more productively,” McMullin concludes.

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