

UNLOCKING ONTARIO'S ECONOMIC POTENTIAL



Ontario is facing a projected slower growth rate, yet the province is still expected to outperform Canada on a number of key indicators, including GDP, employment, and population growth. The OCC's 2019 Business Confidence Survey also reveals a more positive business sentiment towards Ontario's economic outlook compared to last year, despite a number of mitigating factors.

Major issues like the province's fiscal situation, high input costs, an aging population, and the infrastructure deficit are still top of mind for Ontario's businesses and will require thoughtful policy solutions. Beyond this, we believe there are two interconnected issues the province must successfully navigate to realize its potential: addressing the skills mismatch, which has been estimated to cost up to four percent of Ontario's GDP in forgone revenue, and addressing regional economic disparity to foster more inclusive economic growth.¹¹

The Skills Mismatch: Navigating Disruption in Ontario's Labour Market

Better understanding and addressing Ontario's skills mismatch and workforce development issues has been a longstanding priority for the OCC. This year's Ontario Economic Summit, which convened senior representatives from industry, post-secondary institutions, government, and non-profits, focused specifically on Ontario's rapidly evolving labour market. Participants discussed a wide range of public policy problems involving the pace of change in the workplace and how frequent market disruptions have made it increasingly difficult for employers to find employees with the right skill sets.

These frustrations were again confirmed in the 2019 Business Confidence Survey, in which 75 percent of members named the ability to recruit and retain talent as a critical factor to organizational competitiveness. Nearly half (49 percent) of respondents cited difficulty attracting or retaining staff as a reason for lacking confidence in the economic outlook of their organizations. Our members have told us recruitment efforts are often stifled by a supply/demand mismatch, driven in part by a deficit in areas such as skilled trades, emotional intelligence, design, communication, and STEM.¹² This problem is exacerbated by the rapid pace of technological change in the workplace which is disrupting business models and the labour force alike.

A recent study assessing the risk of, and readiness for, the impact of automation on Ontario's labour market estimated that 30 percent of workers are employed in occupations which can be automated with today's technology.¹³ Despite this, our province is relatively well positioned for technological change, ranking second compared to other jurisdictions in Canada. This can be largely attributed to the province's high concentration of individuals with a post-graduate degree, and a workforce with the highest level of core skills in Canada.¹⁴ Indeed, grappling with the impacts of technological advancements on labour force development is just one aspect of the broader skills challenge which government, industry, and post-secondary institutes must confront.

11 James Stuckey and Daniel Munro. 2013. *The Need to Make Skills Work: The Cost of Ontario's Skills Gap*. Conference Board of Canada.

12 Ontario Chamber of Commerce. 2017. *Talent in Transition: Addressing the Skills Mismatch in Ontario*.

13 Rosalie Wyonch. 2018. Risk and Readiness: *The Impact of Automation on Provincial Labour Markets*. C.D. Howe Institute.

14 Ibid.

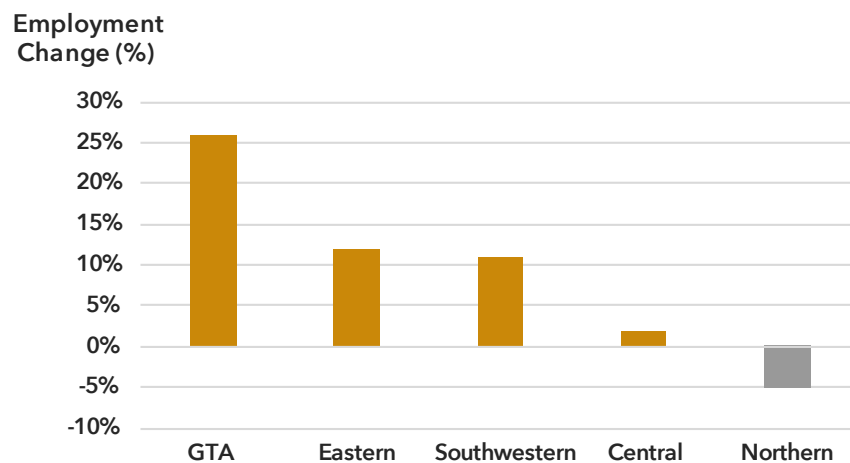
In 2019, the OCC will continue its ongoing workforce development initiative with a project that will examine how a re-structured approach to the governance of education, training, and job creation might help the Ontario government make measurable progress against the skills mismatch. Building on the pre-existing analysis and recommendations from leading stakeholders, the OCC will seek to answer two often overlooked questions: What barriers are stopping Ontario from enacting solutions to our workforce development challenges, and how do we eliminate those barriers?

Regional Economic Disparity in Ontario

The problem of finding and recruiting talent is particularly acute in rural Ontario, where a series of technological and demographic shifts have brought a unique set of challenges. Major developments such as intensified cross-border economic competition, an aging population, urbanization, and the upheaval of traditional manufacturing and agriculture sectors have been deeply felt in Ontario's Indigenous and rural communities as well as small- and medium-sized towns.

Since 2003, employment growth has largely been concentrated in the Greater Golden Horseshoe, while other regions have experienced slow or even negative growth (Figure 14).¹⁵ Between 2003 and 2017, the GTA and Central Ontario (defined as the area surrounding the GTA) accounted for 93 percent of the 915,000 net new jobs created in the province, while Northern Ontario's net employment numbers declined by 23,600 jobs over the same period.¹⁶ Meanwhile, average GDP growth during the same timeframe has been higher in the GTA (2.3 percent) and Central Ontario (2 percent), with Eastern Ontario falling somewhere in the middle (1.5 percent) and Southwestern Ontario (0.9 percent) and Northern Ontario (0.2 percent) lagging behind.

Figure 14: Ontario Employment Growth by Region, 2003 to 2018



Source: Statistics Canada (2019)¹⁷

¹⁵ Ben Eisen and Joel Emes. 2016. *The Five Solitudes of Ontario: A Regional Analysis of Labour Market Performance in Post-Recession Ontario*. Fraser Institute. <https://www.fraserinstitute.org/sites/default/files/five-solitudes-of-ontario.pdf>.

¹⁶ Ontario Ministry of Finance. 2018. Economic Outlook. <https://www.fin.gov.on.ca/fallstatement/2018/chapter-2.html#c2-3>.

¹⁷ Statistics Canada. 2019. Table 14-10-0090-01. Labour force characteristics by province, territory and economic region, annual (x 1,000).

Ontario's overall prosperity depends on the strength of its regional economies and 2019 will be a formative year for shaping the province's trajectory as the government develops new strategies on infrastructure, transportation, and supports for traditional economic sectors. In response, the OCC will convene stakeholders from across the province to inform a new approach to regional economic development. This report will outline the challenges involved in generating economic prosperity throughout Ontario and provide recommendations to the Province on effective governance and planning. With appropriate infrastructure, investment, and institutional capacity, Ontario will be well equipped to thrive in the twenty-first-century economy.