

Economic Stimulus through Investment in Advanced Skills

*Submission to the
Standing Committee on National Finance
of the Senate of Canada*



April 2009

Serving Canada's colleges, institutes, cégeps,
university colleges and polytechnics

Au service des collèges, instituts, cégeps, collèges
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Notwithstanding the downturn, Canada continues to suffer from an acute shortage of advanced skills, damaging both productivity and growth. Our aging population and increasing technological complexity of employment are factors. The limited capacity of colleges and institutes is an unfortunate reality.

Before the recession, long wait lists of qualified applicants impeded thousands from acquiring the advanced skills to secure for employment. Wait lists are even longer now as the newly unemployed flock to colleges to re-skill.

As Canada's skill trainers, colleges badly needed an infusion of new capital to help them expand and upgrade their infrastructure and acquire leading-edge technology.

In pre-budget consultations, ACCC raised the specter of an economic recovery stumbling on a skills crisis that had already limited the growth of many industries. We recommended that federal infrastructure policy be enhanced as part of the stimulus package to include college expansion and renewal. Colleges across the country had projects ready to go immediately.

The response was strong. Two billion dollars were committed on a matching basis to enhance college infrastructure. Many projects have been announced in British Columbia and one in Ontario. It is urgent that the balance of projects be announced as soon as possible to take advantage of the construction season and to provide employment opportunities now.

The Budget also announced major investments in retraining to assist those in failing industries to transition to new careers most of which will support college operating budgets for the short and medium term.

We append our analysis on Canada's advanced skills crisis prepared in late 2008.

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Canada's Crisis in Advanced Skills

Submission by the
Association of Canadian Community Colleges
to the
House of Commons Standing Committee on
Finance Pre-Budget Consultations 2008



August 15, 2008

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The Association of Canadian Community Colleges

The Association of Canadian Community Colleges (ACCC) welcomes the opportunity to provide input to the House of Commons Standing Committee on Finance. ACCC is the national and international voice of Canada's 150 community colleges, institutes of technology, university-colleges, polytechnics and cégeps¹. With campuses in 1,000 urban and rural communities, 1.5 million learners, and 60,000 educators, these institutions play a pivotal role in ensuring that Canada's labour force remains robust, competent and competitive. The education they provide draws students equally from all socio-economic quarters, and targets preparation for employment and workforce development.

Canada's colleges are integrally aligned with the needs of employers. Through Program Advisory Committees to solicit business and industry input continuously into curriculum development, colleges are on the leading edge of skills identification, economic trends and market shifts. Colleges encourage business formation and sustainability by growing the local talent pool, by re-skilling displaced workers, by offering customized workplace training and by providing applied research and development support. Investment by governments in college education provides a solid 15.9 percent annual return through higher tax revenues. College students recover 15.1 percent of their investment annually for life.

Colleges and institutes of technology are the labour market trainers of choice, key to adult retraining and re-skilling, immigrant credentialing and integration, and the access of *all* groups to post-secondary education. The vast majority of college graduates find work in their chosen field within six months. The fastest growing category of college applicants is university graduates who have not found work or want to pursue a practical academic program that will lead to a career.

Canada's Demographic and Economic Transformation

Canadian society is transforming in response to the forces of globalization and the knowledge/information economy. The labour market demands advanced skills that are more sophisticated than those expected even one decade ago. With natural population growth falling below the replacement rate, future economic success will depend on a labour market that maximizes the skill levels of all Canadians.

Colleges and institutes of technology embrace under-represented groups and reach out to those who may not otherwise have access to a post-secondary education. Colleges work with community organizations, local settlement initiatives, municipal and provincial governments to provide tailored language training, workplace orientation, and bridging to close skill gaps for new arrivals and enhance their capacity to enter the workforce at higher levels. Many colleges have enormous success at attracting, nurturing and graduating Aboriginal learners. For example, mobile classrooms travel to northern Aboriginal communities to supply local demand for advanced skills in mining, hydropower construction, forestry, and oil and gas.

Nevertheless, Canadian employers continue to reach into foreign labour markets because our education system is not currently producing sufficient graduates with advanced skills. We invest inadequately in colleges and institutes of technology, and lack a pan-Canadian workforce strategy.

¹ This Brief will hereinafter refer to community colleges, institutes of technology, university colleges, polytechnics and cégeps as colleges or colleges and institutes of technology.

The Skills Crisis

The key to economic and social development lies in the knowledge and skill base of human capital. Vigorous action on the part of the Government of Canada, in concert with the provinces and territories, is required. Long predicted to appear in our near future, the skills crisis has set upon the Canadian economy with a vengeance. Slower economic growth, lost opportunity, and compromised productivity are the consequences. We use the words of others to make this point:

- **“The Canadian workforce is aging and in some sectors we have already reached the point of transition from excess labour supply to excess demand for labour.”** Dr. Kurtis Kitagawa, Conference Board of Canada, February, 2008.
- **“More than 90,000 jobs in the information technology sector will need to be filled in the next three to five years and [if we do not have enough graduates to fill them, it] could potentially impact the Canadian economy to the tune of \$10.6 billion.”** Dr. Michael Bloom, Conference Board of Canada, January, 2008.
- **“One-and-a-half million Canadians have unmet job-related adult education and training needs.”** Dr. Paul Cappon, Canadian Council on Learning, October, 2007.
- **“The Canadian Nurses Association says a gap between supply and demand for the profession is expected to grow to 78,000 in 2011, and 113,000 in 2016.”** Mick Hayley and Caroline Alphonso, *Globe and Mail*, March 5, 2008.
- **“A shortage of millwrights, refrigeration technicians and electricians is already bedeviling the \$44 billion food-processing industry.”** Murray Campbell, *Globe and Mail*, March 4, 2008.
- **“The Canadian Construction Association says Canada is already short up to 60,000 [skilled construction] workers, and 300,000 new people will be needed over the next seven years. Roughly 50,000 metalworkers ... will be required over the next five years.”** Laura Breslin, *Toronto Sun*, March 15, 2006; Construction Sector Council, Labour Market Information.
- **“In 2007, 57.4 percent of small business owners mentioned employee shortages as one of their most significant problems.”** Canadian Federation of Independent Business, 2007.
- **“The mining industry will be facing a [skills] shortage in the near future. 14.5 percent of mining workers are expected to retire within five years, and 24.5 percent within a decade.”** Mining Industry Training and Adjustment Council, 2005.
- **“The Canadian Tourism Human Resource Council estimates that the potential labour shortage in the sector could reach 348,000 jobs over the next fourteen years. Tourism employers are already finding it difficult to recruit enough workers. The challenge of finding enough people to fill tourism jobs will intensify – so much so that missed opportunities and the inability to meet potential business demand will cost the industry billions of dollars.”** Canadian Tourism Human Resource Council, March 2008.
- **“Colleges and institutes provide educational and training programs for 36 of the 50 health professional and para-professional occupations in Canada, plus allied professional groups such as social workers.”** Canadian Institutes for Health Research, October 25, 2006.

Mitigating the Skills Crisis

The vision and leadership of the Government of Canada is as needed now as it was 40 years ago when the college system was born. The federal government at that time anticipated that immigration alone could not supply the country's advanced skill needs. The distinction between education and training was overcome by new institutions that bridged the gap to a new educational culture, a legitimate and equal alternative to what universities provided. Colleges were the new players, serving learners in all stages of a life, responsive to the needs of their communities, and an instrument to serve the human dimensions of productivity.

To preclude a deepening of the skills crisis, Canada must increase investments in its system of colleges and institutes of technology. With their integral linkages to the labour market, employer-responsive curricula, and entrepreneurial instincts, these institutions have the answers. A rise in college enrollment of 30 percent is needed to meet the demand for advanced skills. The capacity of the system must be secured and expanded quickly.

- **“According to Statistics Canada estimates for the next decade, college enrolment could rise by 30 percent.”** Jill Mahoney, Globe and Mail, November 22, 2007.
- **“A recent survey by the Canadian Federation of Independent Business (CFIB), reported that CFIB members facing severe labour shortages required the skills of college graduates on a ratio of 6:1 compared to university graduates.”** Canadian Federation of Independent Business, 2006.

The Government of Canada recognized the portending skills shortage by committing \$800 million annually to post-secondary education through the Canada Social Transfer beginning in fiscal 2008-2009. While certainly a step in the right direction, it is neither possible to determine to what extent these funds will find their way to their intended use nor what proportion will be directed to colleges. Cost sharing arrangements with provinces and territories for capital investments, similar to the various infrastructure agreements, may help secure Parliament's intention. As outlined below, the needs are considerable.

2008 Study of Needs

Colleges are under extreme pressure to meet demand. Skilled trades workers including carpenters, welders, plumbers, and electricians, manufacturing technologists, aerospace experts, laboratory technologists, construction specialists, refrigeration technicians, environmental and renewable energy technologists, miners, security workers, chefs, nurses, health care technologists, paramedics, childcare workers, gerontology and hospice specialists, broadcasters, journalists, and human resource professionals are *just a few* of the advanced skills in high demand. Current capacity falls far short of requirements. Unless we act now, the future will be bleak.

Existing college capacity must be secured and new capacity developed. The system is characterized by long waiting lists, aging infrastructure, deferred maintenance, antiquated teaching equipment, space shortages and an impending shortage of faculty. A 2008 study by ACCC reports some new construction and deep retrofits to old buildings, but most structures are the legacy of the 1960s, still in service despite an anticipated 40-year life span. Many are reported as unsafe. Essential seismic retrofits have not been carried out in some cases.

Few institutions report leading edge training equipment. All strive to maintain currency to meet the demands of employers, but most make due with used or recycled equipment. One institution reported that 85 percent of equipment for trades programs is below standard. Although industry partners have donated equipment, a substantial need remains.

Heavy oversubscription of courses is the norm. Forty programs in one institution are oversubscribed, while another reported that most of its programs fell into this category. The ratio of qualified applicants to spaces varies by program from 2:1 to as high as 18:1 for some health science programs. While enrolment may be limited to immediate employer needs, demand will expand exponentially as “boomers” retire.

The study concluded that if Canada’s 150 colleges and institutes of technology are to produce enough graduates to satisfy the current shortage of advanced skills, **\$7.4 billion is required now for infrastructure upgrading, facility expansion, and teaching equipment.** The June, 2008 report *Compete to Win*, commissioned by Industry Canada and released by the Competition Policy Review Panel, recommends that “*governments continue to invest in education and training in order to enhance quality and improve educational outcomes.*” We heartily concur.

Opportunities for Federal Engagement

The 15.9 percent rate of return governments achieve from their investments in colleges and institutes of technology and the pan Canadian dimensions of the crisis in advanced skills constitute a compelling case for more federal investment: this is the essence of our recommendation. In fact, many helpful measures are available to the Government of Canada, some falling within current federal programs, budgets and regulations including the following:

- Engage with provinces and territories to ensure that federal transfer payments earmarked for post-secondary education are used as intended, and that colleges and institutes of technology receive a proportionate share;
- Recognize that Canadian education is an international business opportunity and attract foreign students to Canada through flexible visa arrangements, similar to Australia and the UK, which attract the second and third largest numbers of international students, thereby increasing college revenues while enhancing global business linkages for Canadian enterprises;
- Encourage the federal regional economic development agencies to continue to invest in college equipment, infrastructure, and applied research and make the Federal Economic Development Initiative for Northern and Rural Ontario an Ontario-wide agency to provide the same opportunities to colleges in southern Ontario as are available in other regions;
- Direct a portion of the substantial federal investment in discovery research to applied research, product development, and commercialization carried out by colleges and institutes of technology and their private sector partners;
- Extend to colleges and institutes of technology the same GST exemption that has been afforded to municipalities as previously recommended by your committee;
- Increase domestic and international student mobility to the mid-point of other OECD countries (we are currently in last place) consistent with the *Panel Report on Competitiveness*.

Recommendation

We recommend that the Government of Canada allocate an additional \$3.7 billion over five years to cost-share provincial/territorial investments in the recapitalization of Canada’s colleges, institutes of technology, polytechnics, cégeps and university colleges.