TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.

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THE CANADIAN WORKPLACE IS DRASTICALLY DIFFERENT RELATIVE TO THE PAST

- Macroeconomic trends
- Rising educational requirements
- Changing composition of the workforce
  - Women
  - Immigrants
  - Aboriginals
  - Older workers
- Widening income distribution gaps
- Changing nature of work
- Employer workplace practices and policy issues

Macroeconomic Trends
POPULATION SHIFTING INTO RETIREMENT YEARS

Elderly individuals are considered to be 65 years of age and over and working individuals are considered to be between the ages of 15-64.

Source: Statistics Canada.

WILL DEPRESS LABOUR FORCE GROWTH FOR DECADES TO COME

*Under medium-growth, medium-migration trends and 2008 participation rates by age cohort;
Source: Statistics Canada.
GROWTH WILL DEPEND ON PRODUCTIVITY

Source: Centre for the Study of Living Standards

CANADA’S POTENTIAL GROWTH RATE WILL RATCHET DOWN

Source: Statistics Canada; Forecast by TD Economics
LONG-TERM SHIFT IN ECONOMIC COMPOSITION

Source: Statistics Canada

Rising Educational Requirements
HIGHER EDUCATION INCREASINGLY IMPORTANT

Employment indexes* by educational attainment; Index Jan 1990=100

*Index of employment levels; Source: Statistics Canada

BUT ONLY 46% HAVE SOME FORM OF POST-SECONDARY EDUCATION

EDUCATIONAL ATTAINMENT OF CANADIANS*, 2006

*Ages 15 and over; Source: Statistics Canada, Census of Population
ACCESS IMPEDIMENTS TO HIGHER EDUCATION

University participation rate by high school grade avg. & parental income quartiles; %

*By age 19; Source: Statistics Canada

GOVERNMENT TRANSFERS NEED TO MAKE MORE DISTINCTION FOR INCOME

Per student distribution of government transfers by income quartile, constant $2001

Needs-based transfers: student loans, loan remission, and grants/bursaries;
Universal transfers: tax credits, RESP/CESG, summer employment subsidies;
Source: Educational Policy Institute
MANY CANADIANS ARE DEEMED TO HAVE INADEQUATE LITERACY

Proportion of Canadian population with inadequate* literacy; % of population

- Youth Reading: 39.3%
- Adult Prose: 47.7%
- Adult Numeracy: 55.1%

*Based on PISA and IALS scores - both tests have 4 levels and a score below the third level is deemed inadequate; Source: Statistics Canada, Learning Metrix Inc.

A PREVALENT ISSUE FOR IMMIGRANTS

Prose literacy of immigrant and native-born Canadians; % of population

- Canadian-born
- Recent Immigrants*
- Established

*Recent and established immigrants are those who have been in Canada for less and more than 10 years, respectively; Source: Statistics Canada
Changing Composition Of The Workforce

LABOUR FORCE SPLIT ALMOST EVENLY BETWEEN MEN & WOMEN

Labour force participation rates by age and gender; %

Source: Statistics Canada
WOMEN ARE BECOMING BETTER EDUCATED THAN MEN

Share of post-secondary degrees conferred upon women; % of degrees conferred

Bachelor's Degrees
Master's Degrees
Doctorate Degrees

Source: Statistics Canada

MORE WOMEN WITH YOUNG CHILDREN IN THE WORKFORCE

Participation rate of females with young children*, %

Female Participation Rate (ages 15-64)
Females with children

*Under 6 years of age; Source: Statistics Canada
### LACK OF CHILDCARE SERVICES CREATES DIFFICULTY FOR WOMEN TO PURSUE FULL-TIME CAREERS

<table>
<thead>
<tr>
<th>Country</th>
<th>Public spending on early childhood education and care services, % of GDP</th>
</tr>
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<tbody>
<tr>
<td>Denmark</td>
<td>2.0</td>
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<tr>
<td>Sweden</td>
<td>1.7</td>
</tr>
<tr>
<td>Norway</td>
<td>1.7</td>
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<tr>
<td>Finland</td>
<td>1.3</td>
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<td>France</td>
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<td>United Kingdom</td>
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<tr>
<td>Australia</td>
<td>0.4</td>
</tr>
<tr>
<td>Canada</td>
<td>0.25</td>
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</tbody>
</table>

Source: OECD

### IMMIGRATION BECOMING INCREASINGLY IMPORTANT

Source: Statistics Canada

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EARNINGS GAP BETWEEN IMMIGRANTS AND NON-IMMIGRANTS GROWING

- Earnings* of male immigrants relative to Canadian-born citizens; earnings ratio
- *Full-time, full-year earners aged 15-64; Source: Statistics Canada, Censuses of Population

ABORIGINALS THE YOUNGEST AND FASTEST GROWING POPULATION IN CANADA

- Source: Statistics Canada, Censuses of Population
EDUCATION NARROWS THE EARNINGS GAP

Employment Rates by Educational Attainment, %

- Non-Aboriginals
- Aboriginals

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>2006</th>
<th>2010</th>
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<tbody>
<tr>
<td>Less than high school</td>
<td>67</td>
<td>47</td>
</tr>
<tr>
<td>High school diploma</td>
<td>80</td>
<td>69</td>
</tr>
<tr>
<td>Trades certificate</td>
<td>84</td>
<td>73</td>
</tr>
<tr>
<td>College diploma</td>
<td>86</td>
<td>78</td>
</tr>
<tr>
<td>University certificate or diploma below bachelor level</td>
<td>84</td>
<td>76</td>
</tr>
<tr>
<td>University degree</td>
<td>86</td>
<td>85</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, 2006 Census of Population

OLDER WORKERS’ PARTICIPATION RATE HAS RECOVERED

Participation rate of workers aged 55 and over, %

Source: Statistics Canada
INCREASING NUMBER ARE CONTINUING TO WORK AFTER RETIREMENT

![Graph showing incidence of bridge employment in Canada, 1999-2004.](image)

*Refers to any paid work after an individual has retired or started receiving a pension;
Source: Statistics Canada

HEAVY UNDERREPRESENTATION IN EACH OF THESE GROUPS

- Significant income gaps exist between men and women, immigrants and non-immigrants, aboriginals and non-aboriginals
- Each group faces its own unique challenges
- Will have to deal with these hurdles in order to fully utilize these important groups
Widening Income Distribution Gaps

EARNINGS GAPS ARE RISING

Median Earnings* of Canadians by Quintile; Thousands Constant 2005 $’s

*Full-time, full-year earners; Source: Statistics Canada, Censuses of Population

Bottom 20% | Middle 20% | Top 20%
---|---|---
1980 | 19.4 | 41.3 | 74.1
1990 | 16.3 | 40.8 | 76.6
2000 | 15.9 | 40.4 | 81.2
2005 | 15.4 | 41.4 | 86.3

*www.td.com/economics*
THE BURDEN HAS SHIFTED FROM SENIORS & CHILDREN TO WORKING-AGE ADULTS

Poverty rates* in Canada, % of demographic living in poverty

*Using after-tax LICO's; Source: National Council of Welfare

INCOME SECURITY PROGRAMS NEED IMPROVEMENT

- Employment insurance coverage is only 40%, but higher for those who have made EI contributions (about 59% of contributors are covered)
- But overly restrictive eligibility requirements still an issue (46% of contributors are not even eligible for benefits)
- Provincial welfare programs are fret with problems
  - High marginal effective tax rates on low levels of income
  - Strict asset limits
  - They are an airtight box – it’s extremely difficult to get in, and for those already in, even harder to get out
- No formal definition of poverty
Changing Nature Of Work

Source: Statistics Canada

Full-time, part-time, and temporary employment in Canada, % of total employment

Source: Statistics Canada
CONTRACT WORK ON THE RISE

Share of contract workers in Canada, % of total employment

Source: Statistics Canada

PENSION COVERAGE IS DECLINING

Employees covered by an employer sponsored pension plan; %

Source: Statistics Canada
The problem is that Canadians are not saving for themselves.
Median holdings in RRSP’s are low and only 60% of people have one.
Situation will deteriorate as coverage continues to decline, shift from DB to DC plans.
Studies regarding the income security retirees have been relatively sanguine.
But identify a significant portion of middle & upper-middle income Canadians are at-risk of not meeting retirement goals.
Few studies are forward-looking and current trends will affect retirees decades from now.

Employer Workplace Practices and Policies
RICK MINER PREDICTS A JOB SHORTAGE

Ontario’s Labour Force Market under Medium Population Growth Projections, Thousands

Source: Miner Management Consultants.

DIRE PREDICTIONS OF SKILLED LABOUR SHORTAGES

NO: demand and supply will adjust
But: takes time and money

- Wages will rise
- Capital substituted for labour
- Production shifted to other markets
- Recruitment from non-traditional pools (more training)
- Retention of older workers
- Better use of under-represented workers
- If all else fails, growth will be slower
UNDERREPRESENTED GROUPS OF LABOUR

- Employers cannot afford to underutilize women, immigrants, Aboriginals, and older workers as labour force growth slows
- But each group faces their own challenges
- Language training, credential recognition, on-the-job skills training for immigrants
- Improved leave options, childcare services for working parents
- Targeted programs to train Aboriginals and connect them to potential employers
- More flexible work arrangements for older workers who want to remain in the workforce, but perhaps not on the frontline

POLICY CONSIDERATIONS

- Need to improve access to post-secondary education
  - Needs-based subsidies need to be more targeted
- Income security
  - Recent modifications to EI program a welcome change, but eligibility requirements should be relaxed to improve coverage to 46% of unemployed EI contributors who do not receive benefits
  - Asset restrictions should be lifted, especially for savings vehicles like TFSAs and RESP’s for those in provincial welfare programs and benefit clawbacks need to be overhauled to ensure that there is an incentive to pursue paid employment
  - Studies are abound that the income security of retirees is at-risk in the coming years; pension reform will happen, but not known what form that will take
    - Voluntary CPP, changes to RRSPs, etc.