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**THE CHANGING
CANADIAN WORKPLACE**

Don Drummond, SVP & Chief Economist
March 25, 2010

 **Bank Financial Group**

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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

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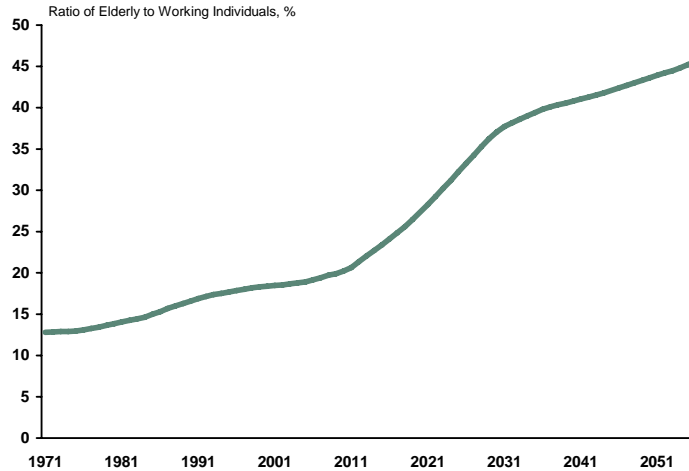


Macroeconomic Trends

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POPULATION SHIFTING INTO RETIREMENT YEARS

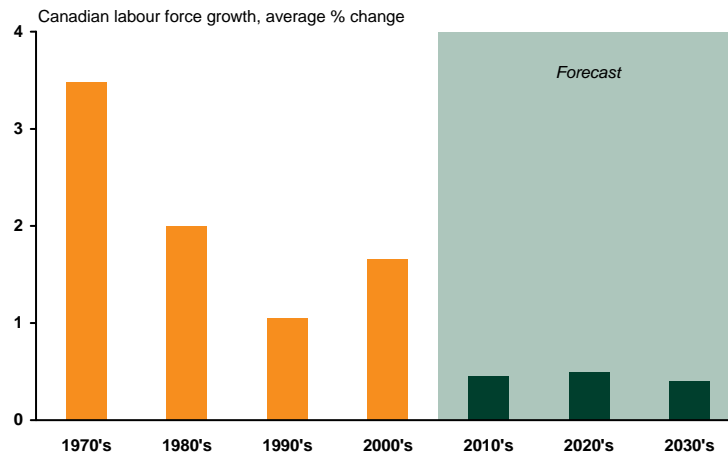


¹ Elderly individuals are considered to be 65 years of age and over and working individuals are considered to be between the ages of 15-64.
Source: Statistics Canada.

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WILL DEPRESS LABOUR FORCE GROWTH FOR DECADES TO COME

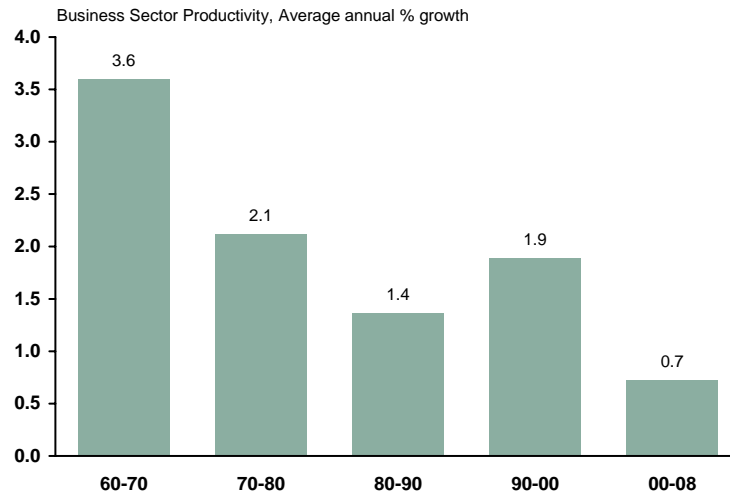


*Under medium-growth, medium-migration trends and 2008 participation rates by age cohort;
Source: Statistics Canada

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GROWTH WILL DEPEND ON PRODUCTIVITY

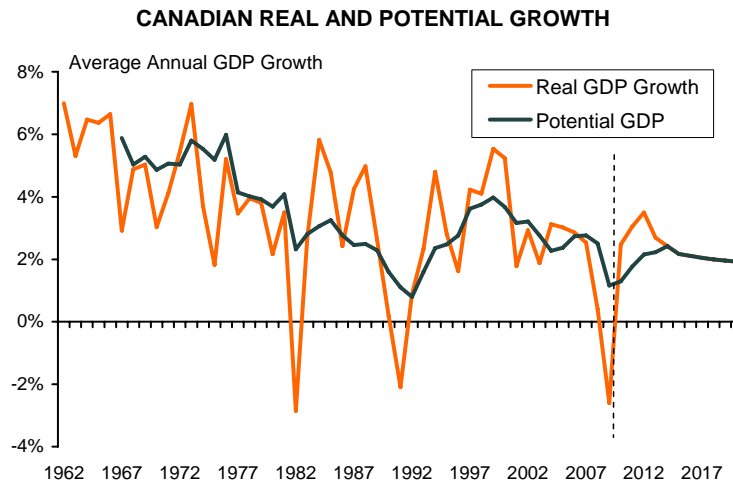


Source: Centre for the Study of Living Standards

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CANADA'S POTENTIAL GROWTH RATE WILL RATCHET DOWN

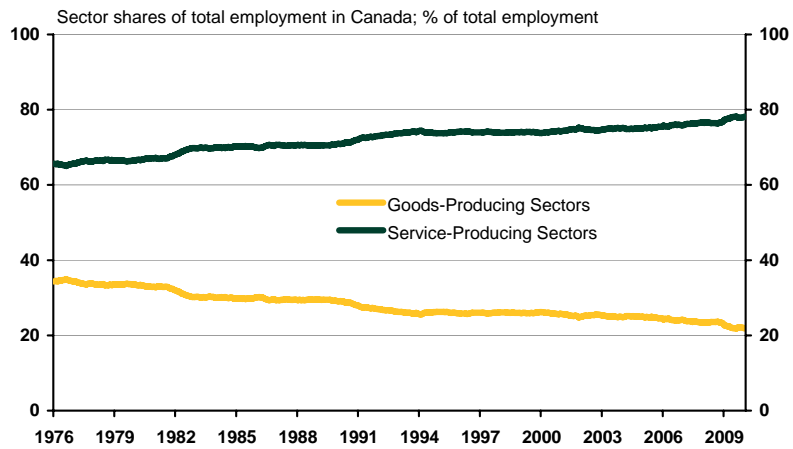


Source: Statistics Canada; Forecast by TD Economics

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LONG-TERM SHIFT IN ECONOMIC COMPOSITION



Source: Statistics Canada

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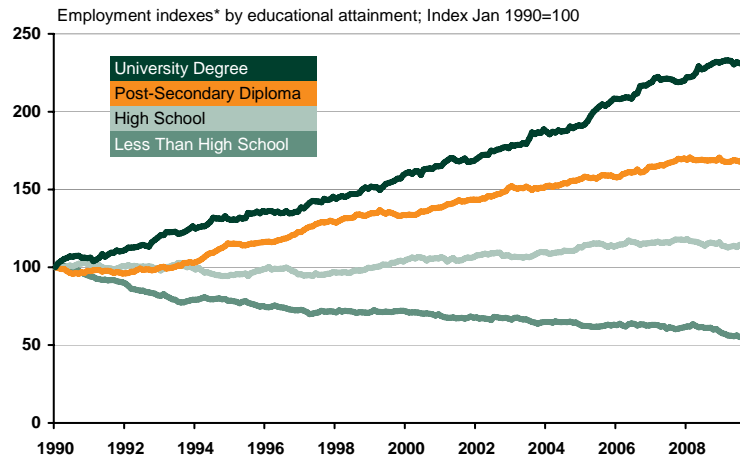


Rising Educational Requirements

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HIGHER EDUCATION INCREASINGLY IMPORTANT



*Index of employment levels; Source: Statistics Canada

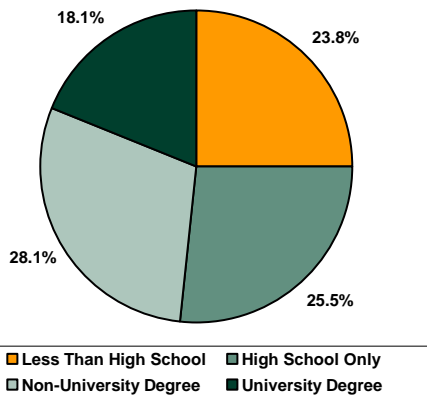
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BUT ONLY 46% HAVE SOME FORM OF POST-SECONDARY EDUCATION



EDUCATIONAL ATTAINMENT OF CANADIANS*, 2006

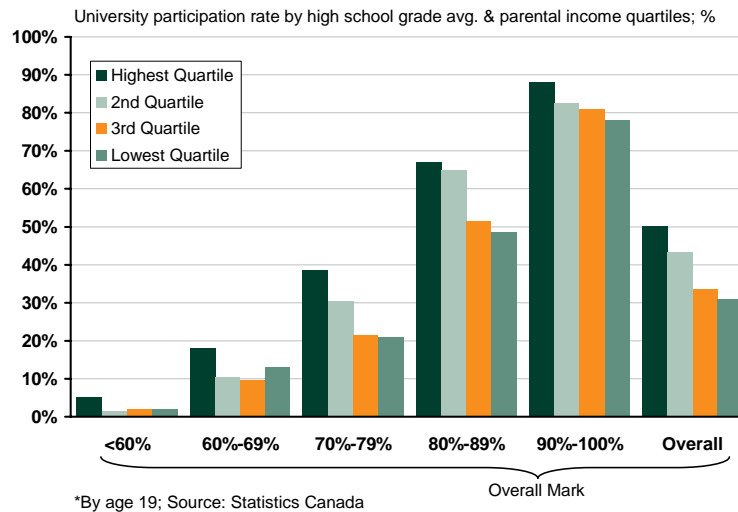


*Ages 15 and over; Source: Statistics Canada, Census of Population

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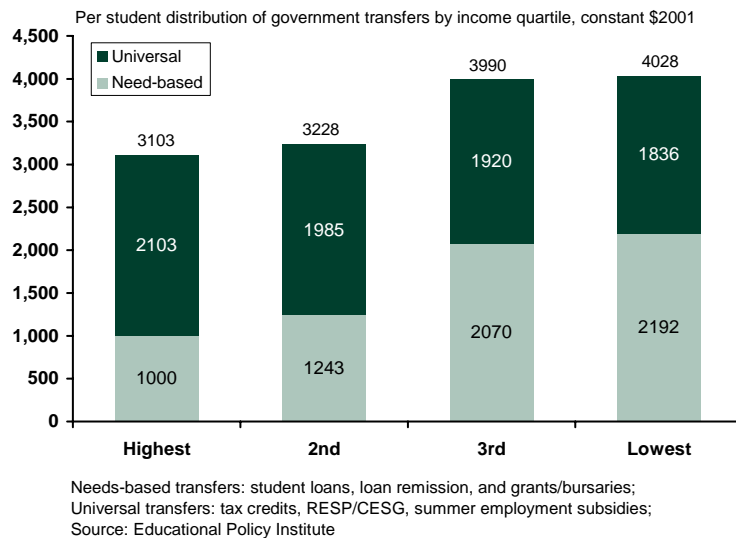
ACCESS IMPEDIMENTS TO HIGHER EDUCATION



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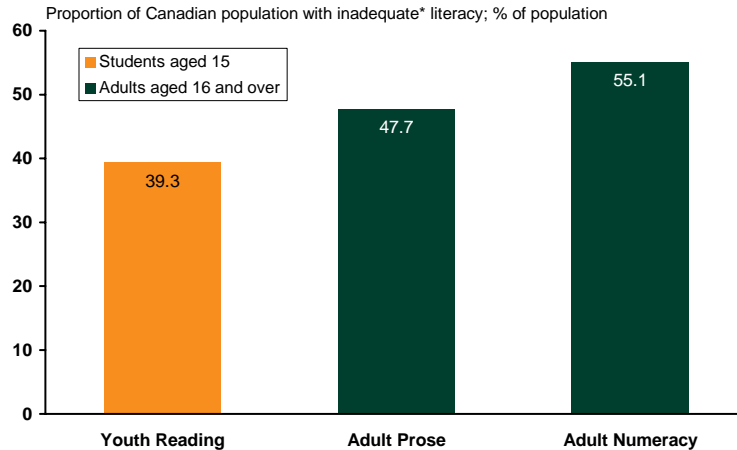
GOVERNMENT TRANSFERS NEED TO MAKE MORE DISTINCTION FOR INCOME



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MANY CANADIANS ARE DEEMED TO HAVE INADEQUATE LITERACY

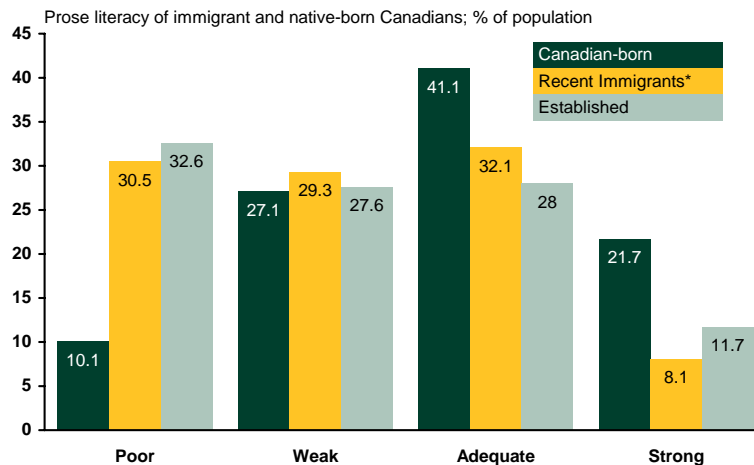


*Based on PISA and IALSS scores - both tests have 4 levels and a score below the third level is deemed inadequate; Source: Statistics Canada, Learning Metrix Inc.

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A PREVALENT ISSUE FOR IMMIGRANTS



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

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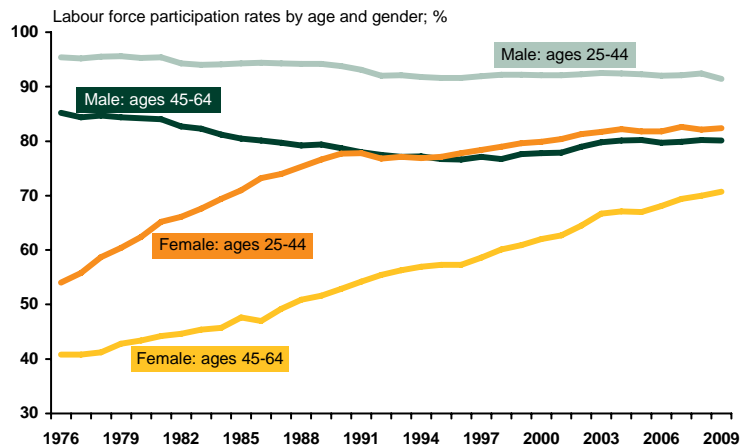
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Changing Composition Of The Workforce

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LABOUR FORCE SPLIT ALMOST EVENLY BETWEEN MEN & WOMEN

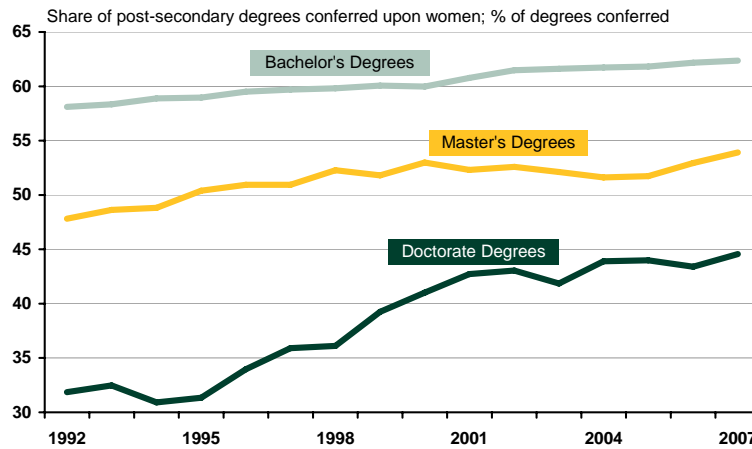


Source: Statistics Canada

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WOMEN ARE BECOMING BETTER EDUCATED THAN MEN

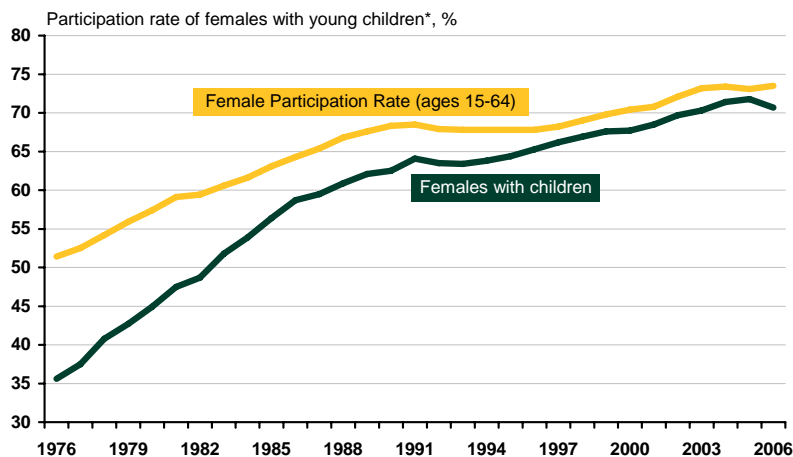


Source: Statistics Canada

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MORE WOMEN WITH YOUNG CHILDREN IN THE WORKFORCE

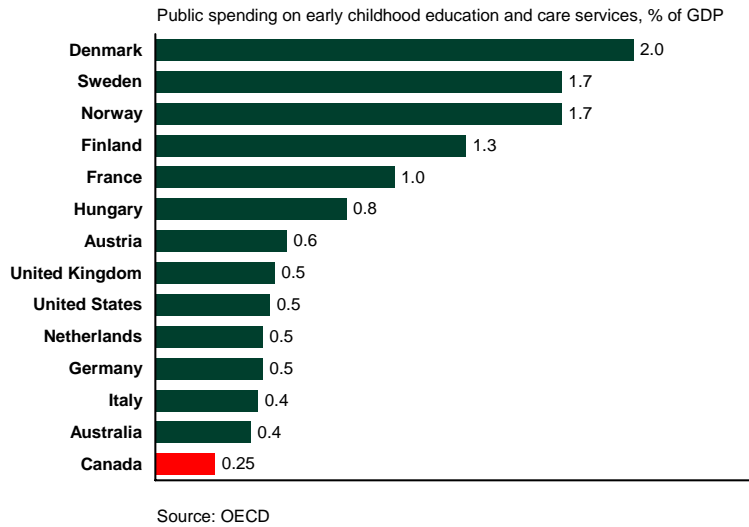


*Under 6 years of age; Source: Statistics Canada

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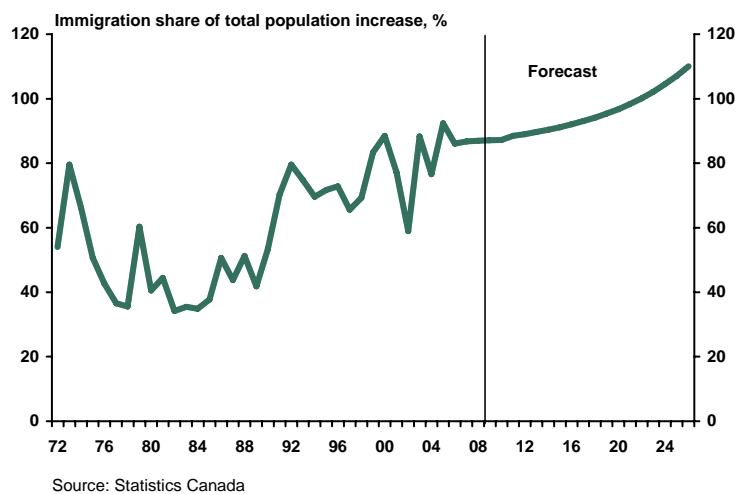
LACK OF CHILDCARE SERVICES CREATES DIFFICULTY FOR WOMEN TO PURSUE FULL-TIME CAREERS



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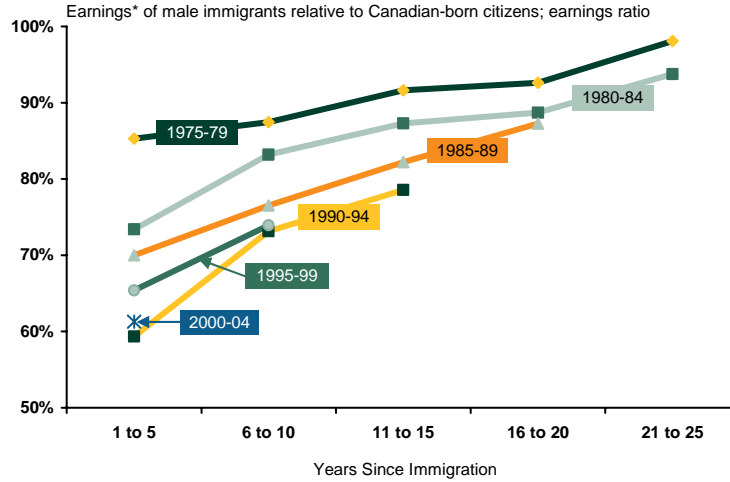
IMMIGRATION BECOMING INCREASINGLY IMPORTANT



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EARNINGS GAP BETWEEN IMMIGRANTS AND NON-IMMIGRANTS GROWING

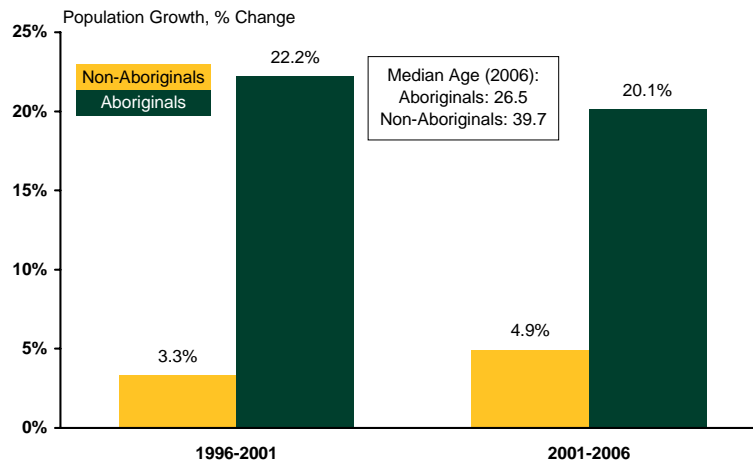


*Full-time, full-year earners aged 15-64; Source: Statistics Canada, Censuses of Population

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ABORIGINALS THE YOUNGEST AND FASTEST GROWING POPULATION IN CANADA

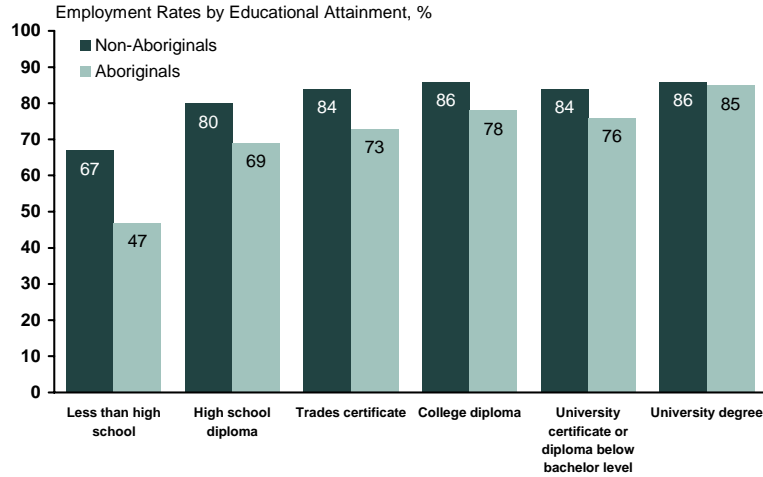


Source: Statistics Canada, Censuses of Population

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EDUCATION NARROWS THE EARNINGS GAP

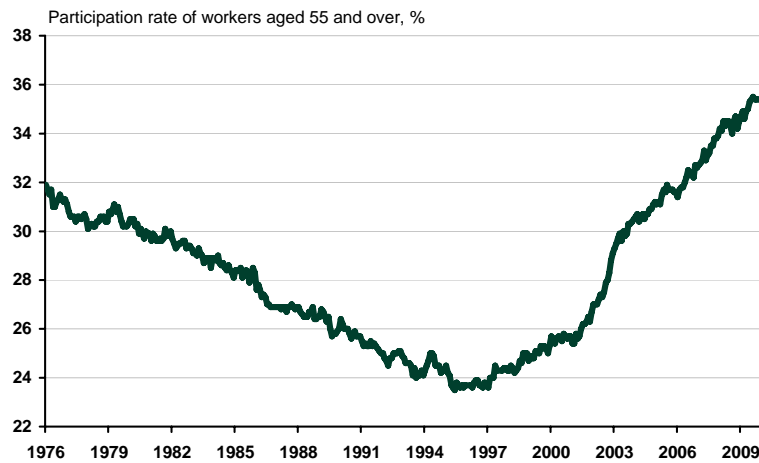


Source: Statistics Canada, 2006 Census of Population

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OLDER WORKERS' PARTICIPATION RATE HAS RECOVERED

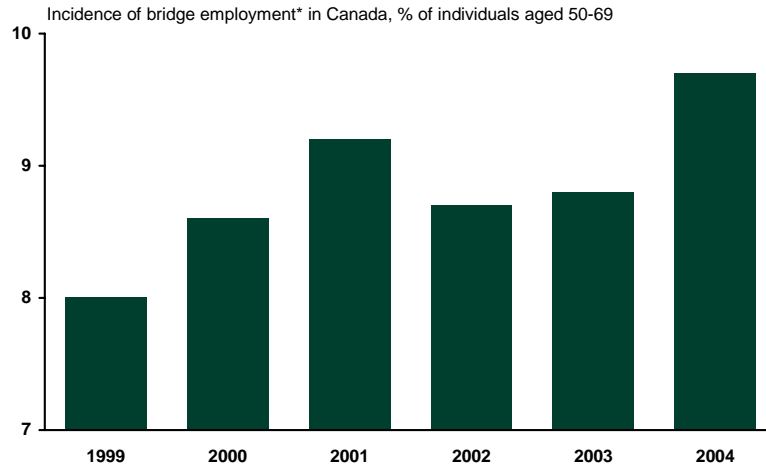


Source: Statistics Canada

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INCREASING NUMBER ARE CONTINUING TO WORK AFTER RETIREMENT



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

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HEAVY UNDERREPRESENTATION IN EACH OF THESE GROUPS



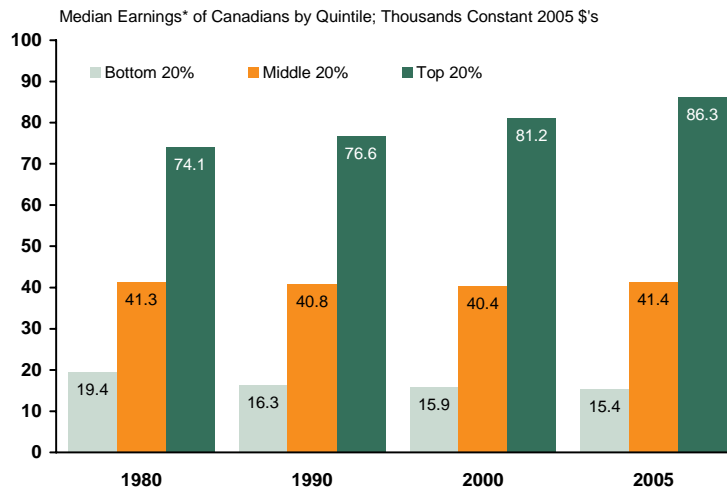
- Significant income gaps exist between men and women, immigrants and non-immigrants, aboriginals and non-aboriginals
- Each group faces its own unique challenges
- Will have to deal with these hurdles in order to fully utilize these important groups

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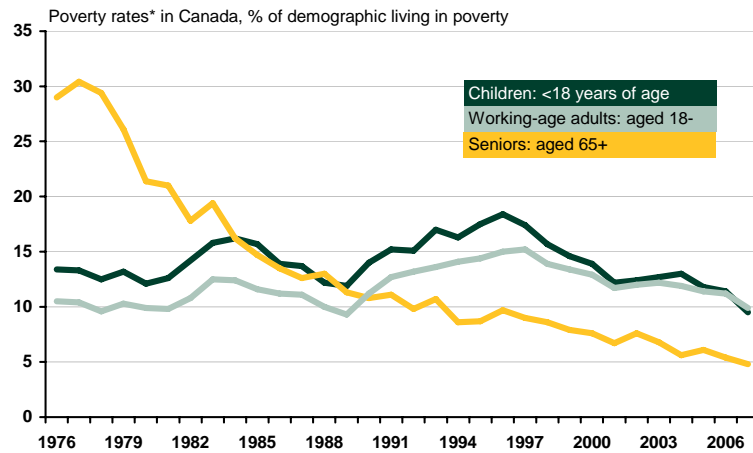
Widening Income Distribution Gaps

EARNINGS GAPS ARE RISING TD Bank Financial Group



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

THE BURDEN HAS SHIFTED FROM SENIORS & CHILDREN TO WORKING-AGE ADULTS



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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

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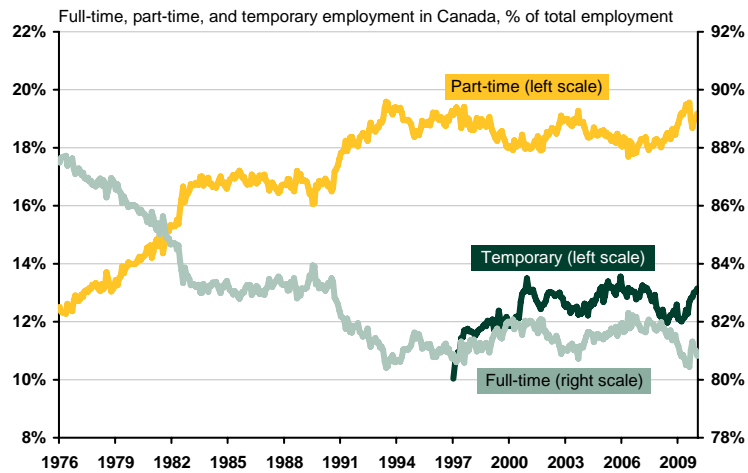
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Changing Nature Of Work

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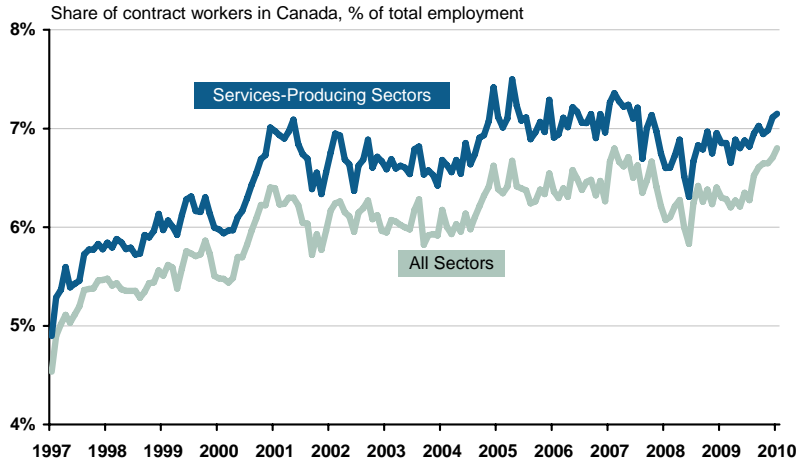
FULL-TIME JOB WITH PENSION AND BENEFITS NO LONGER THE STANDARD



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CONTRACT WORK ON THE RISE

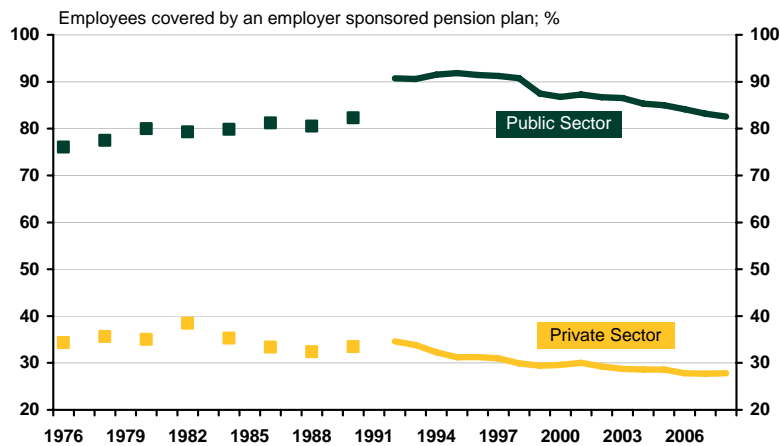


Source: Statistics Canada

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PENSION COVERAGE IS DECLINING



Source: Statistics Canada

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BURDEN OF SAVING HAS NOW SHIFTED ONTO THE INDIVIDUAL



- 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

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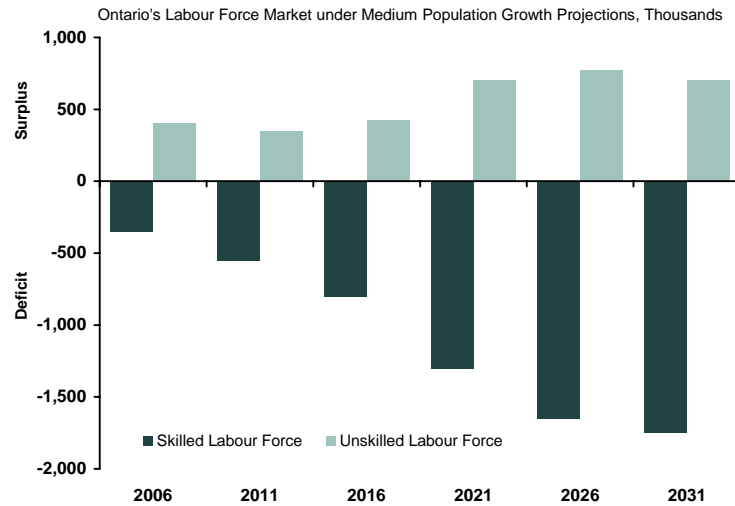


Employer Workplace Practices and Policies

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RICK MINER PREDICTS A JOB SHORTAGE



Source: Miner Management Consultants.

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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

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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

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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.

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