



AT ISSUE

A BUSINESS VOICE SPECIAL REPORT

REPORT ON POPULATION CRISIS

SEPTEMBER 2009



HALIFAX CHAMBER
OF COMMERCE

stronger together

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INTRODUCTION

Nova Scotia's population is starting to shrink and is getting older. Our working age population will decline as the number of retirees increases; by 2013 there will be more jobs available than there are people to fill them. Nova Scotia is facing a demographic and labour market crisis. We are not alone in this, but we are particularly vulnerable because of our existing conditions, which include having the oldest population in Canada.

This crisis is not a recent discovery and is not just a problem in Nova Scotia, but across Canada. In 2007 the Conference Board of Canada released a report that stated "Canada has a shortage of the skilled people who drive innovation, and is failing to make adequate investments in knowledge." (*How Canada Performs: A Report Card on Canada*)

But demographics in Canada are not the only human resource issue that we are facing. The recent global economic upheaval has acted as a catalyst for change in the very structure of business, government and markets. We have seen, and will continue to see a reshaping of operations, markets and entire industries. As employers adapt to the changing population and new required skill

sets they will have to learn to work with a much more diverse talent pool with respect to age, ethnicity, gender and other factors that may push the comfort zone to its max.

Simply put, Nova Scotia is facing a three-pronged problem:

- 1) Demographic Changes
- 2) A New Economy - New Work
- 3) Talent - Not Labour

Much like issues surrounding sustainability, we cannot sit idly by and pretend that we don't need to adapt. One thing needs to be understood—we must do something, and we must start now.

This report outlines these three problems and helps define how they will affect small to medium sized businesses in Nova Scotia who will need to make major changes and adapt business practices to meet the demands of a declining population, new work and a new worker.

This report is the first stage of a year long plan intended to stimulate dialogue on the looming population and labour shortage crisis facing Nova Scotia. In the coming months the Halifax Chamber of Commerce will continue to engage our members, government and key stakeholders to present potential solutions to these problems.

“For the first time in at least a century, the number of people willing and available to work in Canada will be smaller than the number of jobs potentially available for them.”

- Dr. Jim McNiven

By 2021

45%

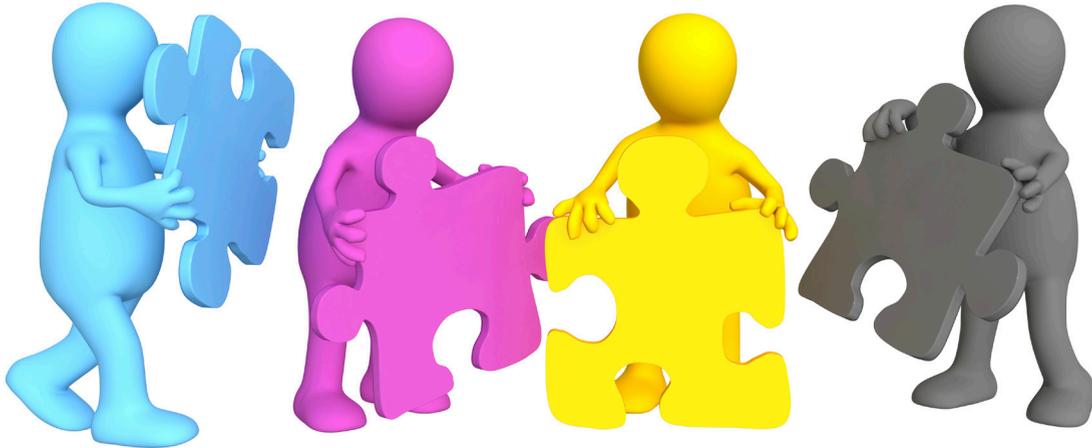
**of Nova Scotia's population will
be over 50 years of age.**

- Statistics Canada

**Currently 36% of nova Scotia's population is
over the age of 50.**

- Statistics Canada

DEMOGRAPHIC CHANGES



Since at least 1996 and the release of David Foot's *Boom, Bust & Echo* we have been hearing about the aging of the baby boomers, their retirement and the smaller generations that will be stepping up to fill their shoes. However, here in Nova Scotia we have been so accustomed to unemployment as the big concern that it is hard to get our heads around labour shortages. How could this possibly be?

For starters, each year fewer people are being born, quickly closing the gap between the death and birth rate in Nova Scotia. According to Statistics Canada, 8,373 people were born in 2007/08 versus 8,333 deaths, representing a population increase of only 40 people. This is a significant change from 2006/07's 8,441 births and 8,166 deaths, a population increase of almost 300.

Population is not just a Nova Scotia problem. A recent report from Jim Mcniven, *The Developing Workforce Problem: Confronting the Cana-*

dian Labour Shortages in the Coming Decades, (2008) stated "we see that for the first time in nearly 100 years there will be more jobs available in Canada than people to fill them. Unemployment will still exist, but there will be more unfilled jobs than people to fill them. There won't be enough appropriately skilled young people entering the workforce to 'sustain economic growth' at the level previous generations have established."

There are four explanations that help to shed light on Nova Scotia's looming labour shortages.

1. The fertility rate is below the replacement level. We are having fewer babies and that means fewer citizens, fewer consumers, fewer wage earners and fewer workers.

According to Statistics Canada, in 2006 Nova Scotia's birth rate was 1.4 live births per woman, under the national average of 1.6. The generally accepted replacement rate - that is the number

“On a global scale, the major social crises of the twenty-first century will be the by-product of labor shortages.”

Paul Hewitt, former director of GAI



of births per woman sufficient to maintain the current population - is 2.1. Clearly, we are not replacing our population with new generations of Nova Scotians.

2. We are getting older. Nova Scotia has the highest proportion of seniors in the country - 15.4 per cent, making the province the first to have more seniors than youth.

With the baby boomers accounting for roughly 36 per cent of the population, a greater portion of the population is aging and moving toward retirement, which puts a strain on the next generation of workers who will be expected to help support the baby boomers.

3. A youthful brain drain. Nova Scotia has long seen many of its own travel to perceived greener pastures in Ontario, Alberta and other points west and south.

Between 1998 and 2008 Nova Scotia lost 1.5 per cent of its population to out-migration to other parts of Canada. In 2007 Statistics Canada reported a total of 19,099 people leaving Nova Scotia, 546 more people than the total number of in-

migrants.

4. Atlantic Canada has a low immigration rate. In 2008 over 245,000 immigrants came to Canada, with just over 2600 choosing Nova Scotia; that is less than 1 per cent of new immigrants. It is also accepted that of the immigrants who initially move to Nova Scotia, a significant portion move out of the province after a short time.

So, why is Nova Scotia attracting less than 1 per cent of the immigrants coming to Canada? There are many factors that influence where immigrants choose to migrate, including:

- The prospect of acquiring a good, high-paying job
- The presence of social networks
- The economy and the perceived opportunity to prosper
 - Where they lived before they immigrated – if in an urban area they are more likely to want a big city
 - The weather
 - Violent crime rates
 - Recreational opportunities

Pre-existing ethnic communities also have a strong effect in both attracting and retaining immigrants, while at the same time attracting immigrants from other places.

CANADA BY AGE

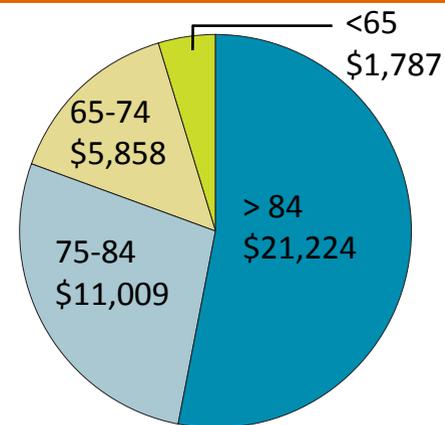
82.3% of the population is 15+
 1,809,370 are aged 5 to 9
 4,220,875 are aged 15 to 24
 2,288,360 are aged 65 to 74
 Median age : 39.5

NOVA SCOTIA BY AGE

89% of the population is 15+
 48,145 are aged 5 to 9
 118,210 are aged 15 to 24
 73,300 are aged 65 to 74
 Median age : 41.8

HALIFAX BY AGE

83.9% of the population is 15+
 19,660 are ages 5 to 9
 52,485 are ages 15 to 24
 24, 250 are ages 65 to 74
 Median age : 39



Average health care costs for Nova Scotians by age group

< 65 \$1,787
 65-74 \$5,858
 75-84 \$11,009
 > 84 \$21,224

The working-age population in Nova Scotia is forecast to grow at just over 0.2% per annum over 2008-2013.

CANADIAN VIEWS ON IMMIGRATION, RACE, AND RELIGION

Religion:

- 72% of Canadians hold a positive view of Christianity
- 30% of Canadians hold a positive view of Sikhism
- 45% believe that mainstream Islam encourages violence

(MacLean's Magazine, May 2009)

Race:

- In a study of hate-related crimes in Canada it is estimated that 60,000 such crimes are committed annually, with 61% of those directed at racial minorities. (Hate and Bias Activity in Canada by the Department of Canadian Heritage's Multiculturalism Secretariat)

Immigration:

- 21% of Canadians agree with the statement "Too many immigrants have settled in my community in the last few years."

(Federation of Canadian Municipalities, the Strategic Counsel "2008 Report on the Key Issues and Challenges Facing Canadian Municipalities")



A GLIMPSE INTO OUR FUTURE LABOUR MARKET

(Canadian Occupational Projection System (COPS) 2008/09 Edition)



The working age population in Nova Scotia is forecast to grow at just over 0.2 per cent per annum from 2008 to 2013. This number is significantly lower than the 1990s, when the working-age population grew at 0.6 per cent per annum. In addition, Nova Scotia's workforce is aging and the median age of the workforce reached 42.1 years in 2006, up from 39.9 years in 2001. Furthermore, more than 1 in 7 individuals in the labour force are currently 55 years of age or older.

The labour force participation rate is now 63.9 per cent and despite expectations that labour force participation across most individual age groups will increase, employment growth will be slow at 0.4 per cent per annum.

Health care, management and administration, and food and accommodation are expected to account for 57 per cent of the total employment growth over the forecast period.

Unemployment is forecast to drop from 37,900 in 2008 to 30,600 by 2013. This trend will continue to drive the unemployment rate down from 7.7 percent in 2008 to 6.2 percent in 2013.

The labour force is forecast to grow at only 0.1 per cent per annum until 2013, much lower than the growth rate of 1.1 per cent in the ten years prior to 2008.

Long term economic growth prospects are shaky.

"The Nova Scotia economy is anticipated to advance by an average of 1 per cent annually from 2008 to 2030, ranking it ninth in terms of growth among the ten provinces."

- Conference Board of Canada (Provincial Outlook Executive Summary, 2009)

The silver lining? In 2007 19,009 people left Nova Scotia, but 18,553 people chose to move here - that's only a difference of 546 people. We only need to attract and retain an extra 1000 people, or 5% more than the nearly 19,000 who chose to make Nova Scotia their home.

A Recipe for Trouble

The ingredients:

- 1 cup of older workers retiring and taking with them years of experience
- 1/4 cup of less experienced workers available to replace them
- 1 tbsp. of increased dependency ratio to put increasing tax and time pressures on working people in support of the retired baby boomers
- A dash of ineffective federal immigration policies that cannot dictate where immigrants will choose to live
- 1 tsp. of changing required skills to adapt to a changing global economy

Mix together and blend for 2 years until you have an economy where:

- Diversity becomes the norm as increased participation rates are required to fill open jobs
- Open jobs are skilled jobs requiring an educated, literate, and continually improving worker
- Global demand for labour increases as all industrialized countries go through the same transition
- A decreased supply and increased demand drive up wage rates
- Due to our weak starting point Nova Scotia is behind the game and must work harder
- Managers begin to address the concerns and needs of a new workforce if an effort to attract and retain the people that they need to prosper
- Businesses who are unable to fill the skilled positions they need fail or are forced to move to where they can find the people they need

NOT JUST A NOVA SCOTIA PROBLEM

Europe is undergoing a dramatic demographic shift. The population is aging at such unprecedented rates that the European continent will soon be home to the oldest population in the world.

In March of 2006 over 250 scientists, physicians, patients and senior citizens' advocates, NGOs, and political decision makers met from across Europe at the international symposium "Healthy Aging in Europe" to discuss Europe's increasingly aging population and recommendations to help combat its demographic challenges.

Their findings were that within the next four years, the number of 55 to 64-year olds living in Europe will exceed that of 15 to 24-year olds. The number of people over the age of 60 will increase by almost 40 per cent by 2030. This doesn't just mean that older people will have to stay in their jobs longer, but this also raises questions of how to enhance the mobility and the quality of life of Europe's ageing population. The trends cannot be ignored and these crucial challenges face all governments across Europe.

- European Healthy Aging Advocacy Forum (2006)

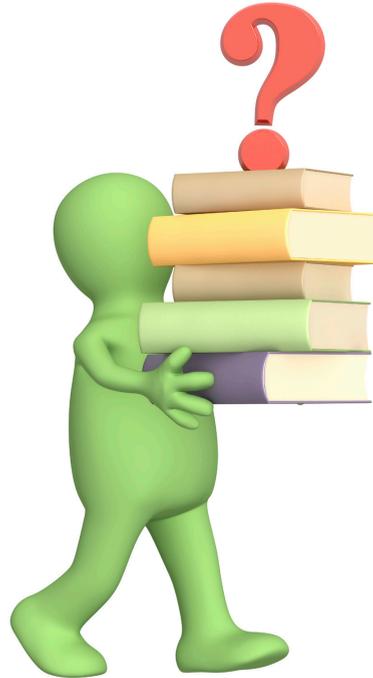


The labour force is aging and increasing more slowly. In fact, **more than one-half of the people who will be in the labour force in 2015 are already in it.** Hence, many of today's workers will have to supply tomorrow's skill requirements... **More than 40% of working-age Canadians lack the necessary basic literacy skills** required for successful participation in our rapidly changing labour market."

*- Raising Adult Literacy Skills : The Need for a
Pan-Canadian Response*

(Human Resources Development Canada, June 2003)

NEW ECONOMY - NEW WORK



The recent economic downturn and the events that led up to it have accelerated a fundamental shift in the economy that has changed the very nature of industries and the way business will be done - and it's not over yet. The automotive industry will be forever changed as will financial services, real estate, energy and a host of other sectors that we have long taken for granted. The process of creative destruction, where old, obsolete industries are replaced by new ones, is demanding new skills, training and work methods that may not be easily transferable from the old ones.

Even without this catalyst, the required skills that technology has brought on were enough to create a gap between what skills are needed by business and what training is provided by the education system. In one sense, technology has created a demand for very specialized skills that need to be constantly updated. On the other hand, the base level of skills required to hold even the most basic, entry level job have increased to such a

degree that literacy and numeracy are essential and the ability to use computers is a given. Nova Scotia, while rightly proud of having one of the highest rates of attendance in post secondary institutions also has a significant number of people who do not finish high school and an equally alarming number who are not functionally literate. Many of the jobs that were suited to this level of education and training will be the victims of the creative destruction caused by a changing global economy, and those that are not eliminated will be under pressure to adapt to the modern technology that is available in order to stay competitive in a world where low labour costs are no longer the competitive advantage. This means the people and companies are going to have to embrace continuing education and life long learning in order to both attract and retain skilled people and to remain competitive in a global sense.

ADOPTION OF TECHNOLOGY THROUGH THE YEARS

(adoption by 25% of households)



Electricity - invented in 1873; adoption took 46 years.

Telephone - invented in 1876; adoption took 35 years



Automobile - invented in 1886; adoption took 55 years.

Radio - invented in 1906; adoption took 22 years.



TV - invented in 1926; adoption took 26 years.

Microwave Oven - invented in 1953; adoption took 30 years.



Personal Computer - invented in 1975; adoption took 16 years.

Cellular Phone - invented in 1983; adoption took 13 years.



Internet - invented in 1991; adoption took 7 years.

Cooley and Yorukoglu (2003)

The forces at work that are shaping the future of our economy are many and very powerful.

- Demographic challenges
- Technology changes and the relationship to literacy & education
- Legacy effects of the meltdown in financial services
- Legacy effects of the recession – a new era of doing business
- Environmental concerns
- Rising energy prices

The combination of a skills gap, an increasingly aging population and a labour shortage create several challenges that will fall on the backs of business.

- More of the provincial budget will have to be used in health care to support the aging population.
- Fewer people working and paying taxes means that those workers (and businesses) will either have to pay significantly more taxes or other government services will have to be cut back - One of those services is education and training.

At a time when business will need more in the way of education and training for their workforce the public sector will be least able to provide it. Consequently, it will fall to the private sector to provide their own education and training programs to keep their workforce up-to-date and productive and make their businesses competitive.

Once again, this is not just a Nova Scotia problem but because of our already aged population and significant and growing provincial debt it will be that much more difficult for the provincial government to step up.

WORKPLACE LITERACY MYTHS

(ABC Canada - www.abc-canada.org)

MYTH: Young people entering the workforce will have the requisite skills necessary to meet the technological and literacy demands of a modern workplace, and will effectively fill the spots previously filled by the baby boomers.

FACT: Employers face a workforce with fewer young people aged 20 to 39 than in the past. Employers will need to train and retrain workers already in the labour force (*The Economic Benefits of Improving Literacy Skills in the Workforce, Conference Board of Canada, 2007*). Additionally, youth require upgrading, with more than 1/3 of Canadians age 16-25 having low literacy (*International Adult Literacy and Skills Survey, Statistics Canada, OECD, 2005*).

MYTH: The place to learn literacy skills is in school.

FACT: Learning can't stop after school. The opportunity to use and develop essential skills on the job can actually maintain and enhance these skills long after formal education is completed. (*Canadian Manufacturing and Exporters*)

RATE OF CHANGE - can we adapt quick enough?

The rate of change will only increase and that means we need to get better at predicting the future and at adapting to it.

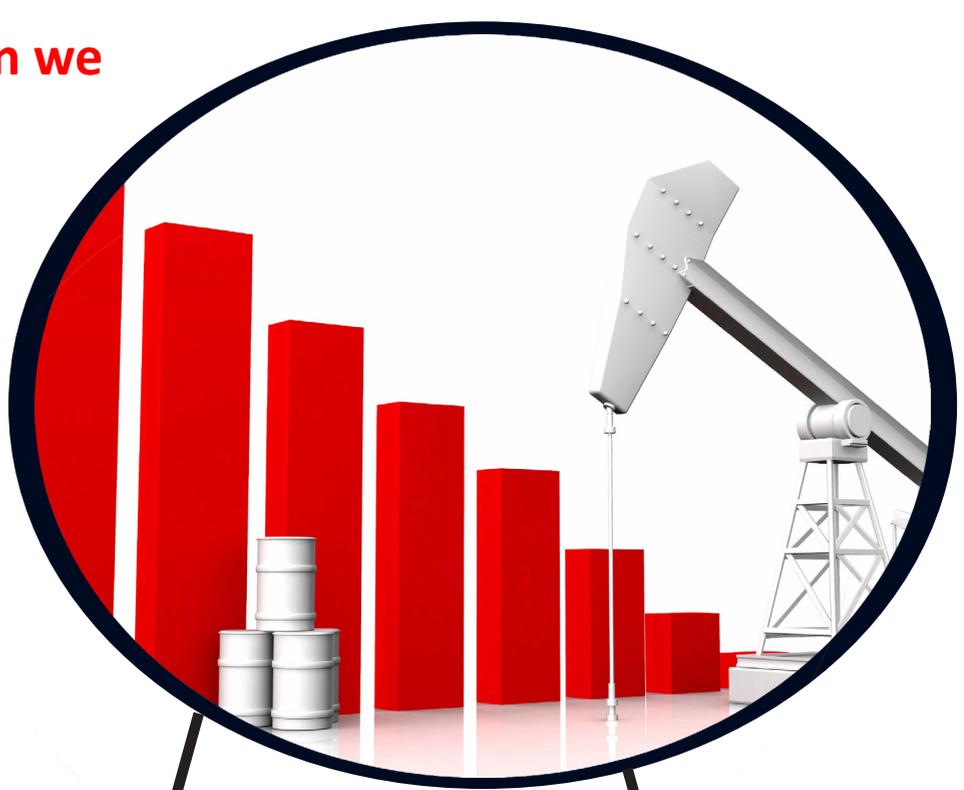
Few people would disagree that the next 50 years are going to be a turbulent time as we adjust to yet another 'new normal.' We are entering a period of transition and transitions are never easy. While many things will change, the largest driver of those changes will be the end of cheap oil and thus cheap everything. What will this mean for industry, for government, for consumers, for you? How big a portion of your expenses are made up of oil-based products and services?

If there are to be fundamental changes in the economy and there is an under-supply of skilled labour, then that smaller labour pool will need to be more flexible as their jobs change or disappear in the blink of an eye. Everyone will need to have a better understanding of their industry, their skills inventory and the economy. Communication and the information it transmits will never be more important.

We need to stop clinging to the past.

Nova Scotia is not the only place that is faced with these challenges. Virtually the entire world will be affected by the forces of change. It is not an exaggeration to say that only the fast and the brave will survive. Nova Scotia has a number of sustainable competitive advantages, but also an equal if not greater number of competitive threats. Our track record for change is not great.

The first thing we need to change is our awareness.



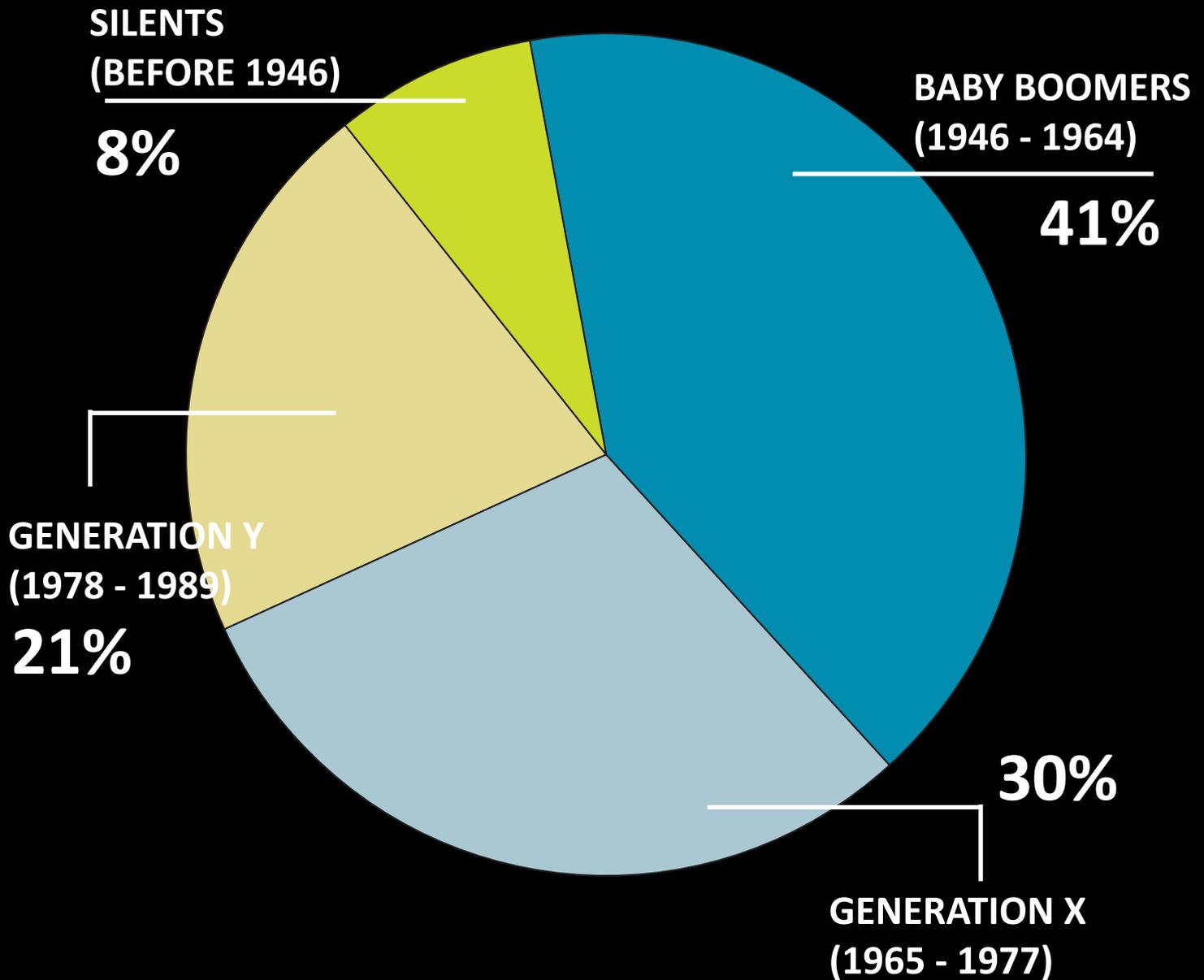
From an individual stand point flexibility and adaptability will be the keys to prosperity.

From an organizational standpoint, and under conditions of a skilled labour shortage, employers are left with two choices:

- Live with the risks of a high turnover rate and the need to constantly go back to the labour pool to find people with the latest skills

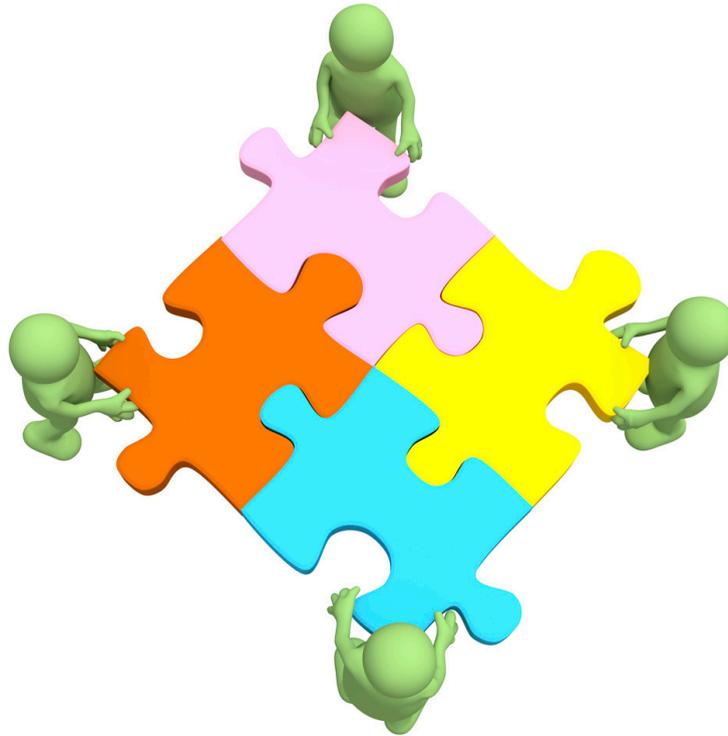
Hire for the ability to learn and adapt and train your team on an ongoing basis to be leaders in their fields.

A GENERATIONAL SNAPSHOT OF THE CANADIAN WORKFORCE



Source: Managing a Multigenerational Workforce, Adecco ; RainMaker Thinking, Inc. (2005)

TALENT - NOT LABOUR



The obvious solution to a labour shortage is to increase the labour pool. This can be done in one of three ways:

1. Have more children
2. Increase immigration
3. Increase the participation rate - especially amongst visible minorities, women, the disabled and older workers.

While all three solutions are viable, perhaps the most viable and easiest to tackle in Nova Scotia is to increase the participation rate. However, introducing new and different players to the workforce does create new and/or larger problems in managing these diverse groups, not just to peak performance but to simply get along.

It is no surprise that different generations

have different values, attitudes and lifestyles and thus require some measure of adaptation and integration into a workplace from both sides. However, with a shift from a surplus of workers to a shortage of workers it will create a situation where employers will have to do more of the adapting than they may have been accustomed to in the past. Add to this the challenges of having four generations in the workplace at the same time and the job of the supervisor, manager or human resource professional has reached a new level of complexity and importance. In a labour shortage situation, attracting and retaining staff will be vital for sustainable success and being an employer of choice will mean more than paying the going rate and holding a staff Christmas party.

Employers, managers and supervisors will need to not only understand how to manage individuals from these diverse backgrounds but how to

manage the interrelationships of the various groups and individuals.

There are four generations representing people from over 70 to under 18.

The Silents (1922-1946)

This cohort came of age during WWII, and their core values are patriotism, loyalty, and respect for authority and hierarchies. They believe in traditional home life and the nuclear family. They are feisty people who value arts and culture more than sports and entertainment. They are wise, dependable, results-driven, no-nonsense workers. They hold much power with large networks of key contacts. They've got stakes in business, politics and real estate—making them more powerful than one might first assume. They're determined by nature and aren't leaving the workforce or the world without a fight.

The Baby Boomers (1946-1964)

A bit egocentric, this cohort came of age during the era of change. Activists, scholars and revolutionaries at heart, this generation has broken boundaries and created change like no other. Baby boomers find a way when seemingly there isn't one. Because of this ability, the baby boomers are self-proclaimed masters of things. They write books, teach and advise others on how to achieve greatness in any given area. Inventors and dedicated practitioners of the 60 hour work week, this cohort eats, breathes and sleeps work and is constantly looking for new ways to encourage others in the workforce to do the same. Their spirit, enthusiasm and sense of purpose in their work is attractive, but they'll only leave the workforce in good time and on their

own terms.

Generation X (1964-1977)

This cohort came of age having to cope with change in their homes, cities and parenting situations, and as a result, are great at dealing with change. This cohort understands work/life balance and doesn't let work consume their lives. They've got a tainted view of the world around them but believe that opportunity exists for individuals. This cohort is clever, resourceful, hard working and able to advance with technology. They're paradoxical. They like flexible work schedules and feedback, but don't like to be closely supervised.

Generation Y (1978-1989)

This cohort is coming of age having been raised in privileged circumstances by devoted parents whose approval matters to them. They're the healthiest, most educated, most-technologically savvy generation to date. They're boundary breakers, free thinkers and tech-whizzes. They've got new ideas on stereotypes and what's possible for women and minorities in the workplace. They expect to work and learn and don't relate to hierarchies and other authority structures. They thrive on relationships and horizontal management structures. They're confident young people who are used to achieving and being rewarded. Of all the other generations, Generation Y connects best with the veterans. Their experience is shaped by a greatly changed reality.



RETENTION MEASURES FOR MULTI-GENERATIONAL WORKFORCES

Telecommuting

- Makes managing work/life/home/friends scheduling easier for employees and can be linked to increased morale and productivity.

Education

- Companies that support the education of their employees get a smarter, increasingly-talented and dedicated workforce in return.

On/off-ramping

- For people who want to take off a few months or a few years from work to raise families or try something new.

Flexible schedules

- Many believe it's not about how many hours you spend in the office giving face time, it's about how effective you are at your job, no matter when it gets done.

Sabbatical

- Sabbatical allows your employees to experience a regenerative process — reset, recharge, refresh and return more productive.

SUMMARY

Nova Scotia business is under a labour market triple-threat due to three factors:

1. Shrinking and aging population,
2. Massive economic changes that are shaping the 21st century, and
3. Management issues associated with the solutions to above challenges.

The groups and agencies in Halifax and Nova Scotia working on these issues and their solutions are many. Focusing in areas such as productivity enhancement, workplace skills and training, immigration, flexible work places, technology, diversity, attraction & retention, continuing education, and family friendly and community development, these groups are all striving to make Nova Scotia a model sustainable 21st century economy/society.

Each of these groups or agencies are working on a piece of the greater 'people strategy' puzzle, and it is determining how these pieces fit together that will truly define success for our province.

Success will come when all of these ongoing activities, groups and agencies are working together, supporting each other, and leveraging each other's work to create a whole that is greater than the sum of its parts. Our true competitive advan-

tage will come from everyone working together as a whole, linking together individual efforts to make the overall strategy work.

Ultimately, it will not just be government, the Chamber or any other service organization that will deliver on any strategy. Employers, and particularly the small and medium sized business employer, will also need to step up and fit their piece into the 'people strategy' puzzle. Recognizing this, the Chamber will produce in the coming months is:

1. A high level strategy/manifesto for government,
2. An operational strategy for the Chamber to provide direction going forward, and
3. A support tool for business that will help them understand the issue at hand and solutions available and direct them to where they can find more information and help.

The goal of this project and others being simultaneously pursued by the Chamber is to create a sustainable prosperity for businesses in Nova Scotia and Halifax and maintain our unique quality of life that makes us the envy of people around the world.



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