

**Speaking notes for The Honourable Jason Kenney, P.C., M.P.
Minister of Employment and Social Development
At a conference hosted by Cardus regarding skills mismatch
in Canada and what it means for Canada's future**

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As delivered

Thank you for that kind introduction and thank you to my friends in Cardus for putting together this really fascinating conversation about Canada's new industrial revolution.

Cardus is a wonderful organization that digs deep on issues important to our society and our economy and reaches out to people both in the union and business sectors with a well-grounded intellectual framework to address these issues and I want to thank and acknowledge Cardus and all their supporters for the kind of work they do for example at this conference as well as the partner organizations who are involved here today, the Progressive Contractors Association, the National Construction Labour Relations Association, the Christian Labour Association of Canada and the Building and construction trades. All organizations with whom I've been very pleased to work in my brief tenure as the jobs minister and all of them, organizations that are trying to find practical solutions to some of the very big but good challenges that we are facing together as Canadians.

I'm here today to talk about the strength of our economy and the challenges we face to achieve long-term prosperity and some of the solutions that we see to those challenges. You know, our country is facing a pivotal time. We should all be proud of the fact that we got through the global economic downturn better than virtually any other developed country and when we look at the fundamental strengths of our economy, they're pretty phenomenal.

I certainly hear that from people around the world when I travel abroad or welcome visiting delegations from around the world who wonder how it is that Canada had the shortest and shallowest recession in the G8 and one of the – has had one of the strongest recoveries since it. As you know, we've seen the creation of about 1.1 million net new jobs since the global downturn, 90% of them are full-time jobs and 80% in high wage industries and occupations, but more importantly we've got the fundamentals right. We have low inflation, we have low interest rates, we have one of the strongest fiscal positions of the major developed countries in the world, we have federal taxes at their lowest level since the mid-1960s, we've the lowest federal debt to GDP ratio in the G7. We're on the brink of balancing the federal budget which matters. It sends an important signal to international investors and markets and to Canadians, that we're serious about living within our means and doing so sustainably. We have – we've had positive growth in our labour market, but there are still of course too many unemployed Canadians and the prospects for future growth continue to be very exciting given in part the huge expansion of our export markets.

You all know better than most how Canada has been over-reliant on the United States as our primary export market. It used to be not that long ago when 80% of what we sold to the rest of the world went south of our border, making us hugely vulnerable to swings in that one economy. Well that number is going down and we'll, I predict, continue to as we very

intentionally expand our export markets through free trade agreements that reduce tariff-free access to people around the world.

I just came, as Brian mentioned, from Israel where we announced the — that we'll be — we've entered negotiations to deepen and broaden the Canada-Israel free trade agreement. That's just one small example. That's the world's innovation nation, the capital of startups and patents and Nobel prizes in science with a lot of complementarities and connections to Canada, a relatively small economy but it punches way above its weight per capita, just one of 43 examples of trade agreements that we're either struck or have broadened in the past six years.

Of course, most importantly, the Canada-European Union Comprehensive Economic Trade Agreement that will give us essentially tariff-free access to a developed market of 500 million people. Add on to that the 300 million people that we have access to through NAFTA in the United States alone plus of course Mexico and we're talking about 800 million people in the most developed countries in the world to whom we'll have preferential access and the only country, the only country in the world once CETA is ratified that will have that critical pivot point of virtually tariff-free access to both the European Union and the United States, making Canada a place to invest of course.

So that one agreement alone by the way, CETA, we estimate, will in the short run, once ratified mean the creation of some 80,000 net new jobs in Canada and an increase of — a very substantial increase in our GDP that will effectively mean an increase in the standard of living of the average Canadian family of \$1,000.

So that is the high level picture, but what you know, what you're focused on in this conference is the tremendous potential that we're facing with enormous commodities developments happening particularly throughout northern Canada, right from Labrador to the Yukon and everywhere in between. Here in Canada, hundreds of major resource projects worth \$650 billion could come on stream over the next decade from hydroelectricity and mining to oilsands and liquefied natural gas.

In 2012, Cardus published a paper appropriately entitled "Hewers of wood and drawers of water or land flowing with milk and honey". Well many in the past, notably Harold Dennis, the famous Canadian historian, labour historian, criticized the Canadian economy as nothing — being nothing more than representing ewers of wood and drawers of water and I note that theme has caused many economic commentators in recent years to actually ridicule the — that old conception of the Canadian economy, to suggest that government policy should be almost entirely focused on lean — leaning forward in terms of information communications technology and related industries, but what the critics don't understand, something that you understand and the industries in which you are involved, is that the commodities development, the commodities revolution that we're sitting on in much of northern Canada is being fueled through research and development, science and technology, the application of incredible human ingenuity and the most recent kind of technology to extract those resources in a way that is increasingly environmentally responsible and in a way that is economically efficient.

So this isn't about some crude conception of 19th century exploitation of resources. I'll never forget, during the last election campaign here in Toronto, I was doing a national — a nationally televised debate and I noted that my colleagues from other parties were talking a lot about how to spend well but not anything about how to create and I said, "Just hang on a second here, how is it you're going to fund all of these proposed increases in pension programs and health care transfers and everything else, all of your shopping list of preferred spending unless we actually develop our economy to create that wealth and how are we going to do that if we don't pursue the enormous natural resources that we possess as Canadians?" For example no one

here has talked about the hundreds of billions of dollars of future government revenues, public revenues that lie just in the energy industry alone and one of my colleagues, I forget from which party said, “But you can’t build an economy by just sticking a hole in the ground and sucking out dirty oil”.

Well, that just – that comment regrettably is all too characteristic of a fashionable point of view and how could it – how could people be – people who are actually running for public office, people who pretend to have some basic knowledge about how our economy functions be so radically dismissive of an industry that employs hundreds of thousands of people and represents potentially hundreds of billions of dollars of shared wealth for Canadians? How could they not understand that the – that current application of technology in the energy sector, whether it’s hydraulic fracking or in situ bitumen mining or any of these other technologies, LNG and so forth, represents the most intensive investment of – in research and development and hard science and technology, in human capital of any industry in Canada quite arguably.

This is amazing that we’re going into reservoirs for example of conventional crude oil in the – in the conventional basin in western Canada that had long ago been abandoned as inaccessible and going back with horizontal drilling and other highly sophisticated technology to extract resource worth billions of dollars that have been left untouched because they – because technology in the past couldn’t reach them.

What you’re talking about in this new industrial revolution, what we’re talking about in the environmentally responsible use of – development of our commodities is in fact about high tech, it’s in fact about science, it’s about the application of research and development and we mustn’t forget that.

So Cardus’s paper, are we talking here about hewers of wood and drawers of water or a land of milk and honey? I have to tell you, when we talk about drawers of water, I must recall just 24 hours ago, I was standing on the Golan Heights in Israel, looking over the Syrian border. By the way, just a few hundred meters in front of me, I actually saw the Syrian civil war and live fire going on there. I was reminded that – as I looked out over Mt. Herman which is – was just a couple of kilometers from me, the highest mountain in that part of the Middle East that the reason why – one of the primary strategic reasons why there had been three wars fought in that region in 56, in 67 and 73 was because Syria and its allies wanted to deprive Israel of Mt. Herman and the water aquifers that flow from it.

So when we Canadians sometimes dismissively talk about ourselves as drawers of water, we ought not to forget what a great privilege it is that we have such resources which we too quickly take for granted and so this is something to be thankful for and I know the discussion paper published last year or rather, the one here guiding this debate, I think drafter by Russ Kickendall (ph.) makes a strong defence that we have much to be thankful for, being a land flowing with metaphorically milk and honey.

A few months ago, I gave a speech in Calgary to the Royal Petroleum Council’s youth forum. There are a lot of people across Canada who are creating jobs and revenues for the public at record levels. My message to them was that the Government of Canada understands and appreciates more than anyone the importance of their industry to Canada and not just the oilsands. Natural gas deposits in British Columbia, oil fields in southern Saskatchewan, the Ring of Fire in northern Ontario, hydroelectric projects in Quebec and Newfoundland and Labrador, offshore gas reserves off of Canada’s coast and mineral deposits across the north that we’re only beginning to discover. There’s a lot of milk and a lot of honey out there.

As this conference is examining this week, in addition to the hundreds of thousands of workers employed directly by these resource projects, there are many more – many more employed indirectly. The infrastructure required to extract these resources, process them and ship them to market is a secondary – is creating a construction boom across Canada. In May 2013, Canadian building permits represented \$7.3 billion in construction activity and machinery investment in our resource sectors is replacing machinery investments in our automotive sectors.

The facts tell the story. Between 2002 and 2011, listen to this, the gross capital stock of machinery and equipment in Canada increased from \$19 billion to \$52 billion. Let me repeat, over the course of a decade, we saw the gross capital stock of M&E in Canada increase from \$19 to \$52 billion. So I would like to see businesses investing even more. It can't be said that Canadian businesses are not investing. We like to believe that was in part fueled by the accelerated capital cost allowance that our government implemented I believe in 2008.

We're supporting industry and the Canadians it employs with the largest infrastructure plan in Canadian history as well, the Building Canada plan. The discussion – and the details will be released shortly – the discussion paper guiding your conference this weekend outlines in detail the jobs investment and economic activity that Canada is on the verge of realizing, but if our country is to take advantage of these opportunities, we need to ensure that we have the skilled workforce to fill the jobs of the future and right now, we're not adequately meeting that challenge.

I was given this challenge, this mandate by the prime minister last summer as the minister of Employment. Now let me be clear. Some of you have heard me talk about this before, but it bears repeating, that there's conflicting information on Canada's labour market, on whether or not we're facing skill or labour shortages. On the one hand, the aggregate labour market information based on surveys done by StatsCan suggests that there is not a national skills shortage and that it's very localized, but on the other hand, employers across the country tell me a very different story, virtually every single employer and certainly every industry association and many of the unions with whom I met tell me that the single biggest challenge that they're facing now and certainly will in the future is that of a shortage of skills.

Let me give you some examples. The construction sector says they'll need 319,000 new workers before 2020. The mining industry says they'll need 145,000 more workers in the next decade. The petroleum sector needs 130,000 workers by 2020 and in the supply chain sector, they expect a shortage of 357,000 workers between now and the end of the decade. The Conference Board of Canada says that this province of Ontario alone is losing out on \$24 billion of economic activity because employers can't find people with the skills they need and the Canadian Chamber of Commerce listed skills shortages as one of Canada's top ten barriers to competitiveness. Its survey showed that a third of the owners of SMEs, small and medium-sized businesses, identified skills shortages as a constraint on growth. The Canadian Council of Chief Executives have launched a major program over this year and next to focus on these issues and that is just a high level summation of the kind of input that we're getting from organizations operating on the ground and I hear from the building trades and related unions in this field.

Across Canada today, we have 200,000 jobs sitting vacant, but at the same time, we have 1.4 million unemployed Canadians, far too many and so the challenge we have is addressing this paradox of too many jobs in the future without prepared workers in an economy that, at least currently, has too many Canadians without jobs and I see my role within the limits of our federal jurisdiction as addressing that paradox with all of the partners, with the labour unions, with the

employers, with the industry associations, with the provinces and of course, with everyone in civil society.

So let me talk a bit about the remedies that I think could help us. Sorry, just one last point on projected future skill shortages and by the way, as many of you will know, in places like Saskatchewan and Alberta and various industries even here in Ontario, it's not about future shortages, it's something that people are facing in a very acute way right now. I went – I was in Regina last month and told the Chamber of Commerce I was available to do a roundtable with employers. They put out the word and they had within a couple of hours, I gather, over a hundred of their members wanted to meet with me. So we booked four back-to-back roundtables, large businesses, small businesses, multinationals, mom and pop operations, commodities, service sector, agriculture, you name it and every single one of them said the same thing which was that they were facing critical challenges to their business because of skill and in fact, general labour shortages.

So I refuse to accept the storyline of some that the challenges that many employers are facing with respect to skills is all just a conspiracy invented by rapacious businesses to justify a low wage economy and just – and to argue for accessing low cost foreign labour. I think that that's too cynical even for some of the people who make that argument. I think they should be – I think what we need to have is an informed national discourse, a dialogue instead of parallel monologues about this issue and I hope to convene a national conversation about this later in this year, invite all of the key stakeholders to share their different perspectives about the realities in our labour market today.

And let me just close this part by saying I acknowledge yet again that we need fundamental improvements in our system of labour market information because one thing – look, the demography is not rocket science. The demography tells us that boomers are beginning to retire. The labour – the Canadian labour force is on the cusp of shrinking for the first time in its history as the boomers begin to retire and this will be felt particularly in certain occupations like for example skilled trades where – which our education system has not been addressing for a very long time.

So let me turn to that. The federal government invest billions of dollars every year through transfers to the provinces for post-secondary education, but – and of course the provinces themselves collectively spend tens of billions of dollars in this area, but is Canada's huge investment in education getting the best results for our labour market? It appears that students are not gravitating necessarily towards the fields where they can get the best paying jobs. I think we need to help young Canadians get relevant information about the labour market and that's what we intend to do. We're working at the federal government to provide user-friendly information to young people so they can make informed, intelligent decisions about their future careers. For example, I think it's important that young people know that becoming a ticketed journeyman, a plumber or electrician is far more likely to generate them a better lifetime income than going to university and getting a B.A. in political science. We have a surplus of those in Ottawa as it is.

Not to say – let's be clear, say post-secondary education, academic formation is still hugely important and the data supports the contention that people generally who – who obtain that kind of post-secondary education do well, but, but we all know that for a very long time, for three or four decades, provincial governments and school boards have marginalized vocational training and technical education. There's a lot of reasons for that, but the reality is that we don't really have shop classes left in our high schools and we've send all sorts of signals to young people that they can't realize their potential if they end up working with their hands rather than

getting an academic degree. In the 1990s, York University found that the number of technology courses taken by secondary school students in Ontario alone dropped from 480,000 in 1973 to 257,000 in 1996. There's a lot of other evidence to support this.

Now Germany, to take one example, has taken a different approach as you know, an approach, yes, based on their history of guilds and very strong robust apprenticeship system, but the truth is this, young Germans are half as likely to go to university as – academic university formation as young Canadians are, but they're twice as likely to be employed as young Canadians are with an unemployment rate for youth half as – half what the level is in Canada. Germans have a very robust training system as you know that encourages young people beginning in high school to pursue a wider range of trades and this is based on a close partnership between unions, employers and governments, both local and national and it – this is based on a sense of social responsibility on the part of the employers, particularly in the middle sector in Germany to invest in skills development and the labour force of the future. Practically what that means is they will take a 15-year old or 16-year old in high school and offer them a paid internship, develop a mentorship relationship with them and that young person learns the basic habits of work, begins to develop technical skills and is on the fast-track to pursuing a full apprenticeship very typically the moment they're done high school and during their high school training, the school system is supporting the skills they need to work.

So the result is a much better link between available skills and available jobs and let me be clear, this is not a – let's not accept this false dichotomy that it's a choice between technical training and academic education because in Germany, many young people go through this process of junior apprenticeship, eventually become journeymen or journeypersons and then they go on eventually, after having mastered their skill, many of them will go on to do academic formation, perhaps becoming engineers or in a variety of fields. The point is that at least they have that skill to fall back on. At least they have strong work experience early in their lives which helps them in their long-term prospects and then they can pursue further academic training in the future if they so desire.

Now the second area that I want to talk about in terms of remedies is to do a better job in our approach to apprenticeship. Right now, there are 13 different apprenticeship systems across the country, of course, with our provincially controlled labour markets. Training and certification requirements vary from one province to another, sometimes quite dramatically. These inconsistencies means that apprentices who wish to move to another province may not be able to continue or complete their training as easily.

Now this is a problem that we've largely resolved for at least – was it 56 red seal trades? For those who are ticketed journeymen, but for those who don't yet have their ticket, there are sort of barriers to mobility for apprentices. As well of course, journeymen apprenticeship ratios vary between provinces and among different trades, but the higher the required ratio, the harder it is for apprentices to get onto a job site. The current patchwork of apprenticeship systems discourages people from entering the trades at a time when industries like yours need these skills more than ever and there's another dimension to this that I'm only recently learning about which is the view that there are many jobs that don't necessarily require ticketed journeymen status to be fully engaged in a skill trade and I think we need to all be mindful of unnecessary protectionism in the labour market.

You know, I was recently reading a fascinating book about the medieval European economy and why certain regions like the low countries prospered at one point, the Italian cities in another, England in another time and one of the – one of the common denominating factors in killing economic vitality in medieval Europe was when guilds in cooperation with local

governments, local authorities imposed incredibly tight restrictions on who could work in which trades, doing what particular functions and just sort of strangled labour mobility and the kind of flexibilities that employers needed and entire industries would shut down when that happened which is one of the reasons for example the medieval manufacturing moved from the Italian cities to northern Europe.

So we have to be – we have to learn the lessons of economic history and not repeat those mistakes in our own modern economy. Provinces like Ontario and Quebec with a very high journeymen apprenticeship ratio urgently need, I believe, to reduce those ratios and all provinces need to work together to harmonizing apprenticeships of citizens across Canada.

Last week I was in New Brunswick announcing federal support for an initiative to harmonize requirements in training for ten trades across the four Atlantic provinces, a good example of practical things we can do and I know that similar work is underway to harmonize requirements in western Canada through the new west partnership of the three western most provinces. So we need to keep focused on this goal all across Canada.

Another way that we can address our skills shortages is to bring in more newcomers from abroad through our immigration system who have the skills that our economy requires and that's what we're getting to, through the big ambitious immigration reforms that we've implemented but still, there are hundreds of thousands of people who already immigrated to Canada, whose skills are not being recognized because of the rigidity of credential recognition for both professions and trades. We've been trying to take a leadership role on this, investing \$50 million with the provinces in something called the Pan-Canadian Framework for Assessment and Recognition of Foreign Qualifications to get to a place where we at least give those applicants for licensure an answer within a year, so they're not left hanging for years as they get stuck in survival jobs and their skills atrophy.

And so again, I call on the professional and trade licensing bodies not to lower their standards, but to develop procedures which are fast and which take into account competencies perhaps more than just a paper based assessment of people's credentials. I think this is hugely important if we're to allow those people to achieve their potential in Canada and contribute to our productivity.

We're doing some practical things in this area. For example, we have – we launched a federal support for microloans for foreign trained professionals so they could pay for the additional education they might need or their licensing exams and to get – to get the credentials they need to fully realize their potential.

Et enfin j'aimerais parler des réformes que nous avons proposées dans le cadre de formation du marché de main d'oeuvre parce que comme vous le savez, les gouvernements canadiens dépensent – excusez-moi, des dizaines de milliards de dollars sur la formation de la main d'oeuvre mais nous ne voyons pas nécessairement les résultats dont on a besoin. Par exemple au Canada, les gouvernements dépensent plus que n'importe quel autre pays au niveau des subventions de l'état dans la formation de main d'oeuvre, mais le secteur privé dépense moins que presque aucun autre pays dans l'OCDE (ph.) dans la formation de main d'oeuvre.

So we have a challenge in terms of skills development. Governments in Canada are spending more on skills development and job training than virtually any other developed country in the OECD, yet the private sector is spending – is at the bottom end of the ladder when it comes to private sector investments in skills development.

The Conference Board found that while government has made significant investments in training investment by Canadian employers, like that of most of their competitors like the

United States. Canadian businesses spend about 35% less on workplace training than our counterparts in the United States. So that's why we came up with this idea of the Canada Job Grant. It's got a lot more attention than I anticipated to be honest with you. I guess that's because – perhaps well, I think sometimes reporters are – I'll never forget, Ralph Klein used to say that political journalists are fight promoters. They're more interested in conflicts than sometimes the policies substance.

Let me talk a little bit on policy substance. On this, what we think we need to do is to encourage employers to put more skin in the game of skills development and job training and we think it makes a lot of sense to try to connect the training that is done with real jobs, not abstract or theoretical job, not training for the sake of training, but training that leads to real guaranteed jobs at the end of it. That's the idea of the Job Grant. Now there's a whole huge array of training and skills development programs. You know, just at the federal level for example, we spend hundreds of millions of dollars, billions a year on dedicated training programs for aboriginal Canadians, for young Canadians, for Canadians with disabilities, for older workers in need of retraining. We give the provinces \$2 billion through the labour market development agreement for folks who are on EI and then there's this one pot, \$500 million called the labour market agreement and there are – which we transfer to the provinces. Some of them run some good programs as doubt about it and we don't want to upset that apple cart, but some of the programs that are run like training – more like training for the sake of training.

The idea behind the Job Grant is not actually very complicated, it's very simple really, that an employer should be empowered to identify an individual who, through incremental training, will get a good job, where the employer will make a significant contribution to that training. So you increase the private sector investment in training, you get a guaranteed job at the end of it, you get better bang for the taxpayers' buck. I think it's worth a try, at least on a modest level and that's what we're in discussions with the provinces about, increased private sector investment in training, guaranteed jobs at the end of it, but we didn't do this with a lot of flexibility and creativity and I hope we'll be able to get to an agreement.

So in conclusion, friends, we should all be grateful that we're the envy of so many other countries around the world and that what's you're talking about at this conference, in terms of the new industrial revolution, we have to make Canadians aware of this. You know, let's be honest. Most of our population, urbanized people living in southern Canada, I think, are not really aware of the kind of enormous potential that exists in the commodities and resource developments, mining and related industries primarily throughout northern Canada. It's almost like it's two solitudes, urban Canada and then sort of the rest of our economy. We all have to do a better job of educating all Canadians, including those living in our big cities, including new Canadians, about the huge potential that exists out there.

I saw an interesting story in the Globe and Mail today about the huge dynamic growing Filipino community in the Yukon. I remember a few months ago, the head of StatsCan was briefing some of us on the then pending census data on diversity and he was – he said, "We think that we've got an aberration in the data here because we see that the Filipino community in some of these remote places in western and northern Canada have grown by like 2,000 or 4,000%." I said that's not an aberration, I've been there. It's absolutely true. You've got people who are moving from Manila to Whitehorse to begin new productive lives and why are they moving to places like that? It's because those regional economies are booming in many parts of northern Canada, thanks to the new industrial revolution.

We need Canadians to realize the opportunities that exist in places like that, so that is the – I know, focus of your conference. We wish you luck and I look forward to partnering with all of

you in ensuring that we do everything we can together collaboratively to seize the potential in our future. Thank you very much.