

Working Better

Creating a High-Performing Labour Market in Ontario

Tom Zizys

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Tom Zizys has worked for almost 20 years as a policy researcher and project consultant in the community sector, focusing on labour market analysis and designing employment programs. He works regularly with the various training boards across Ontario and frequently makes presentations to organizations and policymakers regarding labour market trends. Tom previously held a number of senior positions in the Government of Ontario, including Director of Policy, Premier's Office. He has taught several courses at York University and Ryerson University, including program evaluation, public policy, and public law. He has also been involved in numerous international development projects focusing on civil society and poverty alleviation.

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Contents

Executive Summary	7
Introduction	11
The Relevance of the Past	13
The Traditional 1950s Firm	14
A Labour Market “Perfect Storm”	19
Changes in the Labour Market Starting in the 1980s	21
The Revised Firm – 1990s and Beyond	23
What the Data Tells Us	26
The Changing Labour Market in Ontario	26
What Changes in the Labour Market and the Structure of Firms Mean for Wages	29
How Different Groups Experience Changes in the Labour Market	32
Income Support and Employment Services for Workers Seeking Entry-Level Jobs	34
Employment Services Strategies and the Labour Force Attachment Model	35
How the Changed Labour Market Affects Workers in Entry-level Occupations	39
The Changing Labour Market and the Knowledge Economy	41
Canada’s High Rate of Postsecondary Graduates	41
Poor Job Outcomes for a Significant Minority of Postsecondary Graduates	43
Does Canada Have a Skills Shortage?	48
Other Features of Our Changed Labour Market	54
Where Do We Go From Here?	59
What Kind of Response Is Needed?	60
Who Needs to Be Involved?	61
What Should Be the Focus of the Response?	62
Appendix: Elements of a Response to Labour Market Problems	65
Bibliography	71

Executive Summary

Ontario's job market is not meeting the needs of many employers, workers, or job seekers. Despite the high number of Ontarians pursuing postsecondary education, employers complain of a lack of skilled candidates. Many young people go into debt to complete postsecondary degrees, only to end up accepting jobs for which they are overqualified. Immigrants with postsecondary degrees end up as dishwashers and taxi drivers. Meanwhile, those who are looking for jobs that require lower levels of skills are displaced by these overqualified candidates. And people who accept "entry-level" positions find themselves in precarious, often temporary dead-end jobs that offer no prospects for advancement.

At the same time, many of the government policies, programs, and labour market interventions intended to improve conditions for employers and workers rest on an outdated notion of how people get jobs, keep jobs, and advance from job to job through the course of a career.

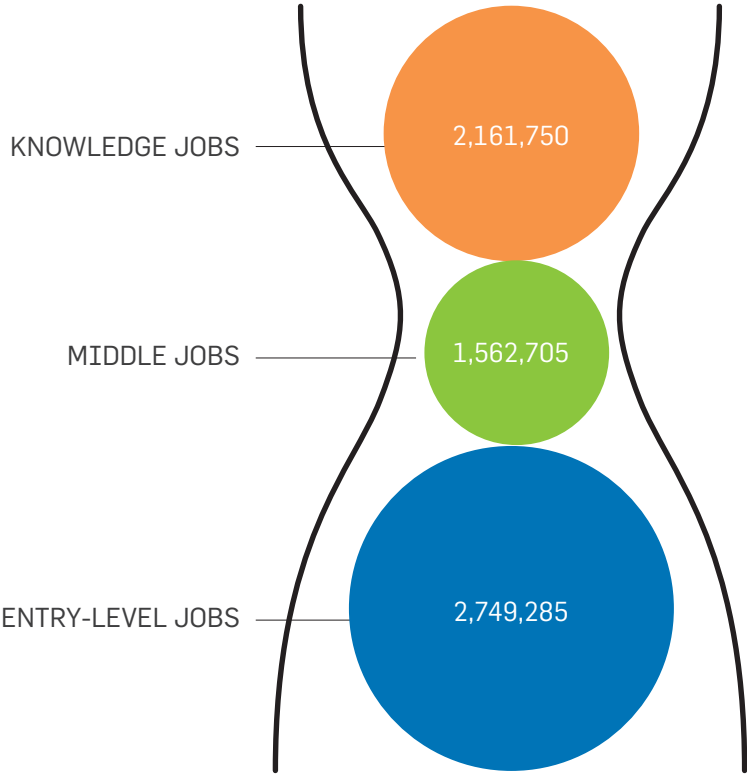
The old model of career advancement of the mid-twentieth century, while not universally applicable, was common to many workplaces and underpinned a broadly understood social contract. Both blue-collar and white-collar employees usually worked for a very small number of companies over the course of their career, and many worked for the same employer all their lives. Employers found it in their best interests to encourage company loyalty, and they did so by investing in the formal training and informal grooming of promising employees. These employees could, if they stayed the course, advance through the ranks from an entry-level position to a middle level and often to the upper ranks of management.

This model has been steadily losing ground since the 1980s. Companies offer fewer entry-level positions that have the potential for advancement into the higher ranks. Jobs have become re-organized. Operations that are not considered part of the "core business" (from payroll management to cleaning) are outsourced to other companies. Functions such as manufacturing or telephone support can be carried out by workers in other countries. Some jobs have been replaced by technology. And much of what is left is available only as short-term contract work.

Jobs can be grouped into three main categories: knowledge work, which requires a university or college degree; middle-level jobs, which require work experience but not necessarily a degree or diploma; and entry-level jobs that do not require a degree, a diploma, or considerable work experience. Between 1991 and 2006, the number of knowledge jobs and entry-level jobs grew much faster than the number of middle jobs, so that the current labour market resembles an hourglass (see Chart 1), with the majority of workers clustered at the upper or lower ends, and a smaller proportion occupying the middle level.

Chart 1
THE HOURGLASS ECONOMY

Distribution of job types, 2006



For many knowledge workers, the current labour market allows considerable freedom and flexibility in carving out a career. Canada has among the highest levels of postsecondary graduates in the world, yet too many people with university or college credentials fail to find satisfying and secure work matching their education, while employers have difficulty finding the specialized or highly trained workers they seek. It is not so much a skills shortage as a skills mismatch: students are unsure which specializations to pursue, and employers are frustrated with graduates who don't understand their business. But employers may have difficulty filling jobs calling for specialized skills (both hard and soft) if their human resources strategy depends on just-in-time hiring for a precise set of skills and experiences, and they have not cultivated a pool of promotable people within their organization who understand the company's culture and have been groomed for advancement.

At the other end of the occupation spectrum, individuals seeking entry-level occupations find these jobs offer less pay, less secure employment, and fewer opportunities for advancement. Moreover, those limited to entry-level jobs based on their lower levels of education and prior work experience are finding they are increasingly competing with college- and university-educated candidates who cannot find a place in the knowledge economy. Meanwhile, income support programs meant to provide a safety net are now more difficult to access, provide less income support, and seek to move clients back into the workforce as quickly as possible. But this approach of moving individuals into a job, any job, as quickly as possible often means more precarious employment, causing people to cycle on and off income support.

The demise of the traditional career ladder is not the only reason for the polarization of occupations and the transformation of entry-level jobs into dead-end jobs. The loss of manufacturing jobs, the drop in unionization rates, and the erosion of the legislated minimum wage have also played a part in these changes.

These trends are not inevitable, but are the consequence of the choices we make, such as orienting the economy towards low consumer prices, which leads to lower wages, lower productivity and poorer job quality. Not only is it possible for companies to compete while investing in their workers, but to survive in a global marketplace, we will increasingly need to provide higher value-added goods and services, which calls for a skilled and engaged workforce.

The emergence of two distinct labour markets at opposite ends of the hourglass has contributed not only to a polarization of occupations and incomes, but also to a polarization of life experiences and expectations – in other words, social polarization. It is both bad economics and bad social policy.

To date, Ontario has muddled through its labour problems with incremental, patchwork responses. The time has come to acknowledge that our collective social and economic future depends on improving the labour market in a more effective, long-term way. This paper does not contain instant answers or fixes. However, it points the way to policy responses that involve employers, workers, government, educational institutions, and other non-governmental organizations. The responses should address issues such as:

- the lack of accurate, timely, and actionable local labour market data;
- the need for effective employment services and workforce development programs (including apprenticeship programs);
- the aging workforce and its implications for Ontario's economy; and
- policies to encourage more middle-level jobs that can support middle-class incomes.

Making policy in a complex, multi-faceted field involving multiple stakeholders is difficult, but not impossible. The first step is making the decision to change a labour market that is not working.

Facts and Trends

The current state of our labour market reflects some long-standing trends (poorer outcomes for women and visible minorities) as well as some recent, significant transformations (more precarious work, lower wages for new entrants to the labour force). Consider the cumulative impact of these disparate findings:

- Wages in constant dollars for newly hired males aged 25-34 years old fell between 1981 and 2004 by 18%.
- In 1989, 11% of newly hired employees held temporary jobs; by 2004, 21% of all jobs held by recently hired employees were temporary.
- In 2006, 24% of college graduates and 16% of university graduates employed in Ontario were earning less than half of the national median employment income (worse than any other OECD country for which such data are available).
- In Ontario, 34% of college graduates and 20% of university graduates with a bachelor's degree worked in an entry-level job in 2006.
- In Toronto, almost half of employed visible minority persons work in entry-level jobs, while almost half of whites are employed in occupations that require a postsecondary degree.

In the past, a person could be hired for life, earning promotions with talent and effort, and career planning involved getting on the right escalator; today job success often depends on nimbly navigating a succession of revolving doors.

Introduction

Advertise a seminar on labour market dynamics or workforce development and chances are, only academics will respond. But ask people what a good job means to them or about their career aspirations for their children, and they will respond in ways that show how essential a job is, not only for financial security, but also for emotional well-being and one's sense of self-worth.

We spend a good part of our early years preparing to be adults. A large part of what constitutes an adult is the ability to live independently, relying on income gained through employment. Working at a job is one of the fundamental roles we take on during our lives. We shape ourselves to acquire a job, and the jobs we get set the terms of our lives—what housing we can afford, what support we can provide to our family, even how we define ourselves, whether as cook, lawyer, truck driver, or teacher.

Our society glorifies individual choice and personal responsibility. “Be all you can be” and “it’s all up to you” are familiar stock phrases. Yet one’s success in landing a good job depends on what kinds of jobs are available. A bucketful of credentials and a winning personality can only go so far if there are no openings. A booming economy clearly offers more opportunities than one that is contracting, as the frustration of job seekers during a recession demonstrates.

But it is not only business cycles that raise or lower job hunting success. How work is distributed between jurisdictions, the offshoring of repetitive manufacturing tasks to low-wage countries, and the concentration of knowledge jobs in certain cities, determines the nature of demand for different kinds of occupations and skills in different locations. Technological change introduces new products and new competitors, but it also means that businesses must constantly recalibrate the balance between work done by people and work done by machines or computers.

The conditions of employment and how work is organized also shape labour market demand. In the last 30 years or so, we have experienced significant transformations in the structure of our enterprises, changes that have greatly affected who gets hired, when and how people get promoted, and levels of pay. These relatively recent changes represent a profound alteration of our labour market system, from the organizing principles that underpin the distribution of occupations to the corresponding network of career pathways.

The essential theme of this paper is as follows:

What was once assumed to be a relatively homogeneous labour market system (consisting largely of hierarchical structures within individual firms that offered permanent employment and a predictable process of career advancement) has broken apart and is now dominated by two main systems. One is a labour market of low-level jobs, characterized by modest pay, little job security, and limited opportunities for advancement. The other is the knowledge economy, a highly flexible, mobile, and fluid system for knowledge workers, in which advancement typically depends on each individual's credentials, prior experience, and social networks.

Some firms continue to invest in training and career advancement, including for their entry-level workers, both to attract and retain employees and to enhance productivity and profit. But this is now more the exception than the rule. At the same time, our employment services and workforce development systems are not structured to support employers in these goals, to the detriment of the unemployed, employers, and our economy.

This change from a broadly-embraced view of how the labour market can and should operate into a two-tier market helps explain some of the failures of our current labour market system:

- Employment services that help the unemployed find work, as well as related income support programs, still tend to operate as if the old labour market model was still in place. As a result, they have increasingly focused more on the deficiencies of those seeking employment, rather than on what has happened to jobs and careers.
- At the higher end of the labour market, what is known as the knowledge economy, individuals who have heeded the call for higher credentials are not always finding work equivalent to their level of education. This mismatch is partly a consequence of employers seeking just-in-time talent in a competitive marketplace, rather than grooming their own employees for promotion.
- Even though a very high proportion of Canadian workers are pursuing postsecondary education, employers regularly lament the lack of skilled job candidates.
- Economists assessing the overall performance of our economy cite Canada's poor record of productivity growth and employee training.

In short, many have reason to feel that the labour market is not meeting their expectations or serving their needs. This paper seeks to describe this situation and how it has come about, as well as propose ways to address these shortcomings.

The Relevance of the Past

Does it matter how our labour markets used to operate? Should we not simply focus on the present, fix what's broken, and move on? We can't turn back the clock, so why bother examining the way things were?

Explaining how the previous labour market system functioned is not an argument for reversing all that has taken place, nor is it a lament for some rosy-coloured past. But it is hard to understand the present system without appreciating its origins. In some cases, we still operate as if the previous labour market system was still in place—entrants to the labour market are routinely directed into entry-level jobs which today are too often dead-end jobs. In other instances, we assume that features of the old system cannot be replicated, but we have not given thought to what alternatives are possible. And sometimes the new system has generated its own dysfunctions. We can better recognize these dysfunctions in comparison to the past: what has happened to the range of employment opportunities that used to occupy the space between an entry-level job and an occupation that requires a university degree?

A number of factors, economic, technological, political, and sociological, both separately and in concert, have resulted in a profound re-working of the concepts that underpin our labour market system. These changes have amounted to a paradigm shift, a significant change in the thinking and practices that define how work is organized and managed.

Our ability to address some of these problems is hampered by the very principles engendered by the present paradigm. The emphasis on individual career management, for example, makes it harder to forge strategies that engage the range of stakeholders and participants who need to be involved in the solutions to current labour market mismatches.

All of which is to say that to plan for a better future, we need to understand the past.

The Traditional 1950s Firm

No one single model applies to the way in which jobs are organized within all firms. But each era has its dominant tendencies that shape employers' practices and employees' expectations. Throughout much of the 20th century, from the 1920s to the late 1970s, that dominant form had two simple, well-understood characteristics: job security with one employer and predictable career pathways within a hierarchy of occupations (see Chart 2).

Chart 2
CAREER PATHWAYS IN A 1950s FIRM

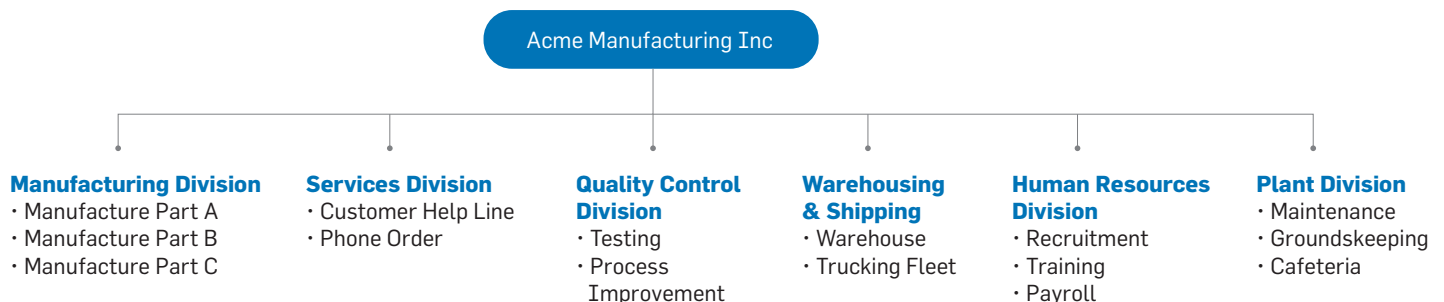


That is not to say that no employee was ever laid off or that every person who started in an entry-level job eventually rose to become president of the company. But it is striking how many people worked for only one or two employers throughout their careers, and how many company presidents started employment at the bottom rung of the career ladder.

Moreover, the way in which companies were structured in those days supported job security and career advancement. [Chart 3](#) illustrates the typically highly integrated nature of many enterprises. That is, many companies provided the full range of functions directly or indirectly associated with the production of their goods or services. For example, a manufacturing company would produce a large proportion of the components of its final product in-house. The delivery of the product to distributors or retailers would be carried out by the company’s fleet of trucks. The staff of the company’s cafeteria, its janitors, gardeners, and security guards, were all direct employees of the company. Phone calls placing orders or seeking technical assistance were fielded by operators employed by the firm and located on its premises.

Chart 3

HORIZONTAL AND VERTICAL INTEGRATION OF FIRMS



The collection of these various functions under one corporate roof meant there were many entry points to employment within the firm, as well as alternative career pathways. These numerous entry points meant individuals could not only be tested for their fit with a company (perhaps first through a summer job), but also groomed for a future career. Internal social networks eased the placement and transfer of job candidates, as fathers could put in a word for their sons (the labour force then had a much lower proportion of women) with their own supervisor or the supervisor of another division of the same company. Similarly, managers could directly refer a bright, up-and-coming employee to colleagues.

Box 1: Did career ladders really exist?

In describing career ladders, are we indulging in nostalgia, like those who portray the past as a time when civility reigned, the streets were safe, and no one could imagine a demand for bottled water? Was it actually the case that individuals who were hired into entry-level jobs could expect promotions and pay raises over the course of a career, typically with one employer?

Consider the following:

- The academic literature of the day asserts that the notion of upward and linear career advancement within corporations had “become so entrenched in popular and scholarly thought that it is difficult to imagine a world without these conceptualizations.”¹
- In 1973, half of all men aged 35 to 64 years old working in the private sector in the United States had been with their employer for at least 10 years (by 2006, that figure had dropped to 35%).²
- During the heyday of job security, one-third of US corporate executives had worked at just one company throughout their career, while another quarter had worked for just two employers.³
- One major 1952 survey of about 7,500 senior executives in the largest firms of each type of industry and business in the United States charted their career progression from their first job.⁴

Table 1

CAREER SEQUENCE OF 1952 BUSINESS LEADERS

Occupation of Business Leader	First Job	Five Years Later	Ten Years Later	Fifteen Years Later
Unskilled or semi-skilled worker	11 %	1 %	0 %	0 %
Clerk or retail salesman [sic] ⁵	34 %	15 %	4 %	1 %
Salesman [sic]	9 %	10 %	4 %	2 %
Engineer	9 %	8 %	4 %	3 %
Lawyer	6 %	5 %	4 %	3 %
Other profession	9 %	8 %	6 %	4 %
Minor executive	9 %	35 %	43 %	25 %
Major executive	1 %	6 %	26 %	57 %

Note that 45% of the top executives started their careers in entry-level occupations (either unskilled or semi-skilled work, or as a clerk or retail salesperson). Even after five years, 16% of them were still in an entry-level job. Clearly, not every individual who worked in an entry-level job found his or her way to the corner office. But the fact that so many of these top managers started at the bottom shows the degree of career mobility that prevailed in the traditional, hierarchical firm. This degree of mobility would also imply that other entry-level workers who did not make it to the top nevertheless reached higher-level positions in senior and middle managerial occupations.

At the same time, there were also jobs at the company for individuals in the twilight of their careers. Someone who could no longer maintain the physical strain of work on the plant floor or in the warehouse might move to a job behind a wheel or behind a desk, or become a plant gate guard.

A further consequence of this practice of virtually guaranteed employment meant that people starting off were typically paid slightly more than their labour was actually worth, as employers sought to entice individuals to commit to their firm, locking in their loyalty for the long haul. Over time, by providing employees with formal training, informal grooming, and opportunities to accumulate experience, employers were investing in and securing their future skilled workforce. Similarly, as these employees reached retirement, their contribution to the firm's productivity may have lessened, but they continued to be employed, in part because that was an essential part of the employment contract, a recognition that these employees had contributed over the course of their career to the firm's success.

¹ Mark Patrice M. Buzzanell and Steven R. Goldzwig, "Linear and Nonlinear Career Models: Metaphors, Paradigm, and Ideologies," *Management Communication Quarterly*, May 1991, pp. 466-505, p.469.

² Henry S. Farber, "Employment Insecurity: The Decline in Worker-Firm Attachment in the United States," *Working Paper #530, Industrial Relations Section*, Princeton University, July 2008, p.14.

³ Steven Greenhouse, *The Big Squeeze: Tough Times for the American Worker*, Anchor Books, 2009, p.76.

⁴ W. Lloyd Warner and James C. Abegglen, *Occupational Mobility in American Business and Industry, 1928-1952*, University of Minnesota Press, 1955, p.116.

⁵ This 1952 survey used gender-biased terms.

Today these notions of job security and employer-employee loyalty may appear quaint. But these practices were the accepted norm during a time of significant national economic growth, growth in average wages across all income groups, and a much narrower discrepancy between employment incomes at the high and low ends of the wage spectrum. Although one could debate exactly what proportion of workers during this time were employed in companies that offered such explicit, well-functioning career ladders, evidence suggests the practice was widespread. More important was the implicitly held belief that hard work and loyalty to the firm resulted in secure employment and progression to better-paying positions. This was the social contract of the day.

As the labour market started changing into the system we have today, the predominant reaction to the flood of layoffs and the strategy of downsizing was one of shock, primarily because these actions signalled a radical departure from long-standing practice and from a widely held consensus about how the labour market operated and the resulting expectations held by employers and employees.⁶

⁶ Here is an illustration of just how much the world has changed. In the wake of a steady stream of layoffs, the U.S. Congress passed, and President Jimmy Carter signed into law, the *Full Employment and Balanced Growth Act of 1978*, which directed the administration and the Federal Reserve to reduce the unemployment rate to 4% by 1983—essentially mandating full employment. Thirty years on, can anyone imagine a government committing itself to full employment? Example taken from Louis Uchitelle, *The Disposable American: Layoffs and their Consequences* (Knopf, 2006), pp. 124-5.

A Labour Market “Perfect Storm”

Few would dispute that the labour market and, in particular, the relationship between employers and employees, have changed significantly over the last 30 or so years. There is no one simple explanation for how and why these changes have occurred, but rather a set of distinct reasons, each reinforcing the other.

Among the common causes cited for the transformations in the labour market are:

Technological change

The pace and intensity of change is most evident in the field of technology and the impact it has had on the production and exchange of goods and services. Prominent in this category has been the impact of the information revolution (the spread of automation, the advent of computers and the Internet), but the changes also include innovations in the movement of goods (consider the impact of container cargo ships and the efficiencies engendered by supply chain management).

Globalization

The increased reach and reduced cost of communications and transportation have helped reduce trade barriers and make international trade more profitable, not only opening all countries to greater competition, but also forging stronger links between countries based on global supply chains.

Internationalization of finance and the rise of “impatient” capital

The deregulation as well as the globalization of financial markets have made capital extremely mobile and, as a result, more impatient. Investments are evaluated less on security (long-term equity growth) and more on immediate returns. Negligible transaction costs and the evaporation of financial borders have allowed capital to seek its highest return instantaneously. Quarterly results and short-term stock prices have come to matter much more than the long-term health of a company; the most extreme consequence of this trend is that companies can be bought for the purpose of divesting their various components for an immediate return. These divestments have had the perverse dual result of widespread employee layoffs and substantial immediate shareholder profits. The view has been advanced that the primary obligation of businesses is to their owners and that the best way to meet this goal is the maximization of shareholder value.

Cultural shifts

The 1980s witnessed the demise of the social welfare consensus and the emergence of a counter-reaction, evidenced by the rise of conservative politicians (Thatcher, Reagan, Kohl, Mulroney), as well as the promotion of individual responsibility as opposed to collective solutions to common problems. The business sector became more organized and strategic in promoting its voice (partly in response to the growth of government legislation and regulation throughout the 1960s and 1970s).⁷ This political, social, and business sector counter-reaction created the space for policy initiatives such as reducing the power of unions, freezing increases in the minimum wage, and making social assistance conditional on workfare. It was also the mood that facilitated a shift in corporate management practices, whereby managers were now celebrated for being “lean and mean” rather than for preserving jobs.

The “Great Doubling”⁸

The theoretical potential for offshoring jobs, made possible by the communications and transportation revolutions, was realized in the 1990s when China, India, and the ex-Soviet bloc joined the global economy, essentially doubling the number of workers in the industrialized world’s labour pool, a growing portion of whom were skilled, yet earning comparatively low wages and working under largely unregulated conditions.

⁷ Robert Lieberman, “Why the rich are getting richer: American politics and the second Gilded Age,” *Foreign Affairs*, January/February 2011 90(1), pp. 154-159.

⁸ A term coined by Richard B. Freeman. See Richard B. Freeman, *America Works: Critical Thoughts on the Exceptional U.S. Labor Market* (Russell Sage Foundation, 2007), pp. 128-9.

Changes in the Labour Market Starting in the 1980s

Together, all these factors have led to significant changes in the labour market, notably in how work is organized and in employer-employee relationships. The driving motivation was to cut costs, which typically involved shrinking the workforce. Certainly technological changes have led to the elimination of many jobs; one need only consider how voice mail, personal computers, or automated teller machines have affected the demand for receptionists, secretaries, or bank tellers. But an equally important factor has been the need to meet stock-market expectations for each quarter. Share prices are related to profits, and cutting labour costs has a far more immediate return than the more distant consequence of maintaining and investing in one's workforce. These pressures have resulted in the following organizational strategies:

- The new technology has spawned new management approaches, including different ways of organizing or re-engineering the corporate structure, perhaps best exemplified by the movement to “flatten the hierarchy,” which has resulted in the **loss of many middle management positions**.
- Reducing payroll costs has required striking at the root of job security and promoting **more flexible job tenure relationships**. These include a greater reliance on casual and part-time employees, as well as greater use of contract employees (limited term) and temporary workers (contracted through a third party), categories of work termed non-standard employment (relative to the “standard” of full-time, full-year employment).
- **Work functions have been reorganized**. Some have been **outsourced** (non-core functions are contracted to companies specializing in a particular function, for example, custodial services or workplace food catering), and others **offshored** (components of work are undertaken in lower-wage jurisdictions), or **de-skilled** (a job is divided into lower-skilled and higher-skilled functions, with the lower-skilled work being offshored, automated, or assigned to a temporary or permanent tier of low-skilled workers).
- The widely integrated company was seen as having taken responsibility for business activities for which it was ill-suited; today, companies are encouraged to **concentrate on their core function**, their ultimate mission, and contract out everything else.
- Many of these initiatives required either confronting or bypassing work arrangements that were part of a collective agreement, thus directly or indirectly **reducing the reach and influence of unions**.

Box 2: Turning points

Ronald Reagan and the air traffic controllers' strike – In 1981, the U.S. air traffic controllers' union called a strike for better working conditions and higher pay, despite a federal law that banned strikes by government unions. President Reagan fired more than 11,000 striking air traffic controllers who refused a back-to-work order, an act that helped pave the way for a shift in the relative power of employers and employees.

Margaret Thatcher and the U.K. coal miners' strike – The U.K. government's announcement of the closure of 20 coal mines in 1984 with the consequent loss of 20,000 jobs led to strike action by the National Union of Mineworkers, one of the most powerful unions in the country. Despite widespread and often violent disturbances (a confrontation at the Orgreave Coking Plant pitted 10,000 miners against 10,000 police), the Thatcher government prevailed, a defeat that significantly weakened the British trades union movement.

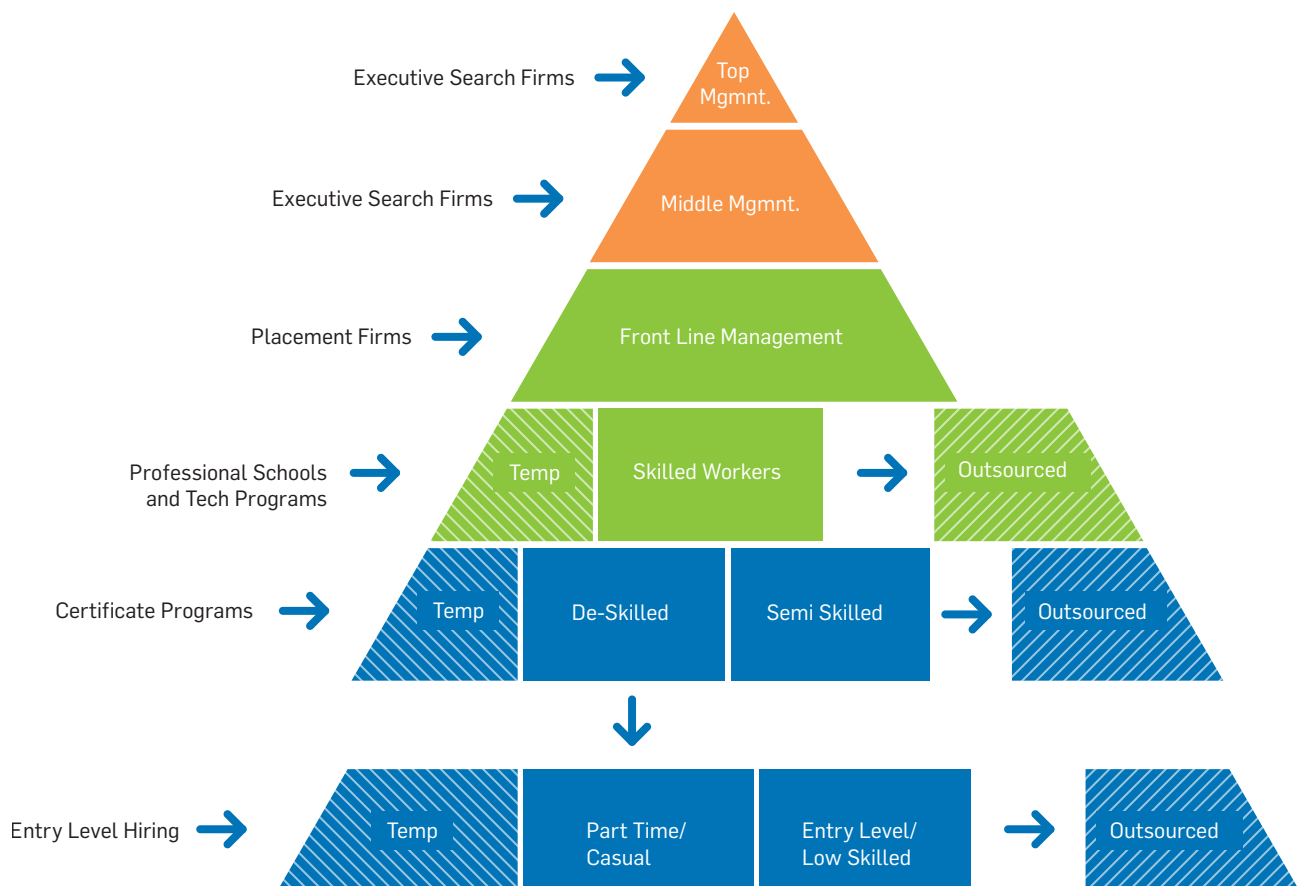
Jack Welch and General Electric – Jack Welch spearheaded factory shutdowns and reduced payrolls, laying off 130,000 employees (a quarter of the workforce) in his first six years as CEO of General Electric. The value of GE rose from \$13 billion when Welch became CEO in 1981 to \$500 billion when he retired in 2001. In 1999, Fortune magazine named Jack Welch "Manager of the Century."

The Revised Firm – 1990s and Beyond

Not all firms were so thoroughly restructured that every job became precarious and every career ladder was eliminated, but few firms were untouched in some way by this new view of the employer-employee relationship and of how companies should be organized.

Chart 4

FRAGMENTED CAREER PATH IN A 1990s FIRM



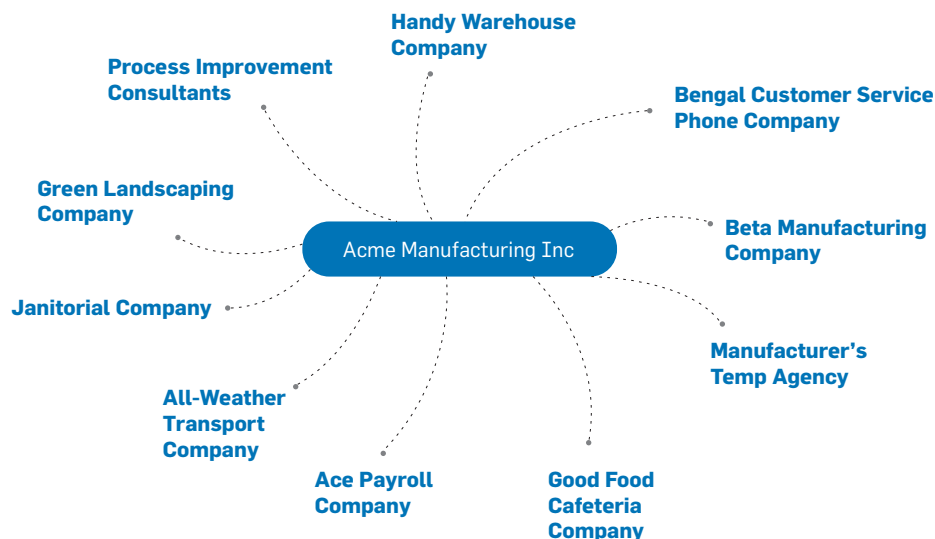
The overall effect was that career paths became more fragmented (see Chart 4). As middle management shrank, a company’s capacity to train and develop its workforce was also reduced. More significantly, entry-level jobs became cut off from the rest of the firm, with some functions contracted out, and others automated, outsourced, or carried out by casual or temporary workers. Jobs higher up the career ladder were more often filled through recruitment from outside the firm as opposed to through internal promotion—as a consequence, credentials and resumes became an essential part of the hiring process, as employers were no longer familiar with the candidates they were considering.

In short, what had been one continuous whole, a set of sequenced steps from entry-level jobs on upward, now became de-coupled. Entry-level jobs might no longer be part of the company and even when they were, there might be fewer intermediate occupations to aspire to. Meanwhile, higher level jobs are now filled through external channels.

Firms also changed their structure: rather than perform numerous functions in-house, many companies divested themselves of activities that were not an essential part of their core business or which could be performed at cheaper cost by specialized, external enterprises (see Chart 5). The production of components could be outsourced to parts manufacturers; the final product could be delivered to market by a stand-alone transportation company; food services, custodial services, and landscaping services could all be contracted out. Sales and the provision of customer support could be undertaken by a call centre and even many back-office human resources functions, such as recruitment, payroll, or IT support, could now be handled by outside specialists.

Chart 5

THE INTEGRATED FIRM NOW BECOMES THE NETWORKED FIRM



This change further reinforced the de-linking of entry-level jobs from the rest of the firm, as many functions were now performed by external companies under contract to the firm. Working in a position at a contracted company no longer provided an “in” to career advancement with the host firm.

As the functions of a company became more fragmented, coordinating these different aspects of the production and delivery process has become a speciality in its own right, hence the emergence of supply chain management in the 1990s. And with the demise of guaranteed employment and career ladders, temporary placement agencies and recruitment firms have risen in prominence, as individuals are more likely to move from firm to firm, working on a string of short-term contracts.⁹ In 1989, 11% of newly hired employees held temporary jobs; by 2004, 21% of all jobs held by recently hired employees were temporary jobs.¹⁰ Similarly, self-employment grew, in part as individuals contracted themselves out as consultants to companies.

Individuals as well had to find their place in the supply chain, and social networks and business contacts became far more important resources for securing the next assignment. A career no longer involved getting on the right escalator and remaining there, but rather nimbly navigating a succession of revolving doors.

All this is not to say that these changes were without their benefits. The structured and predictable hierarchy of corporate career ladders could stifle innovation and fostered bureaucratic sclerosis. The reliance on self-employed consultants gave companies flexibility, the growth in small business start-ups nurtured innovation, and the use of contingent labour allowed others to step off the career treadmill and embrace a more suitable life-work balance. Alternative work arrangements could better accommodate alternative life arrangements—not every job required a square peg that only fit a square hole.

So the question arises: who has benefited from these changes in our labour market dynamics, and who has lost ground?

⁹ Temporary help agencies in Canada generated operating revenues of \$9.2 billion in 2008, up from \$1.0 billion in 1993. In 2009, one in eight paid workers had some form of temporary employment (contract positions, seasonal work, or casual jobs). Statistics Canada, *Employment Services 2008*, Service Bulletin, Cat. No. 63-252-X (2010); Diane Galarneau, “Temporary employment in the downturn,” *Perspectives on Labour and Income*, vol. 11, no. 11, Statistics Canada, 2010, p. 5, Cat. No. 75-001-X.

¹⁰ Rene Morissette and Anick Johnson, “Are Good Jobs Disappearing in Canada?” *Research Paper: Analytical Studies Branch*, Statistics Canada, 2005, Cat. No. 11F0019MIE—No. 239, p. 18.

What the Data Tells Us

The Changing Labour Market in Ontario

To begin with, how has this transformation in the labour market affected the distribution of occupations?

There are various ways to categorize jobs to describe trends, for example by occupation, by industry, or by employment income. One approach takes all 520 occupations defined under the National Occupational Classification (NOC) and clusters them as follows:¹¹

- **Knowledge workers** – jobs that require a university degree or a three-year college diploma or a highly refined skill;
- **Middle jobs** – jobs that typically do not require a postsecondary degree but do require some skill, usually acquired through several years of work or through an apprenticeship;
- **Entry-level jobs** – jobs that typically require a high school diploma, but otherwise require no experience, as well as the next-level job immediately accessible after a short period in an entry-level job.

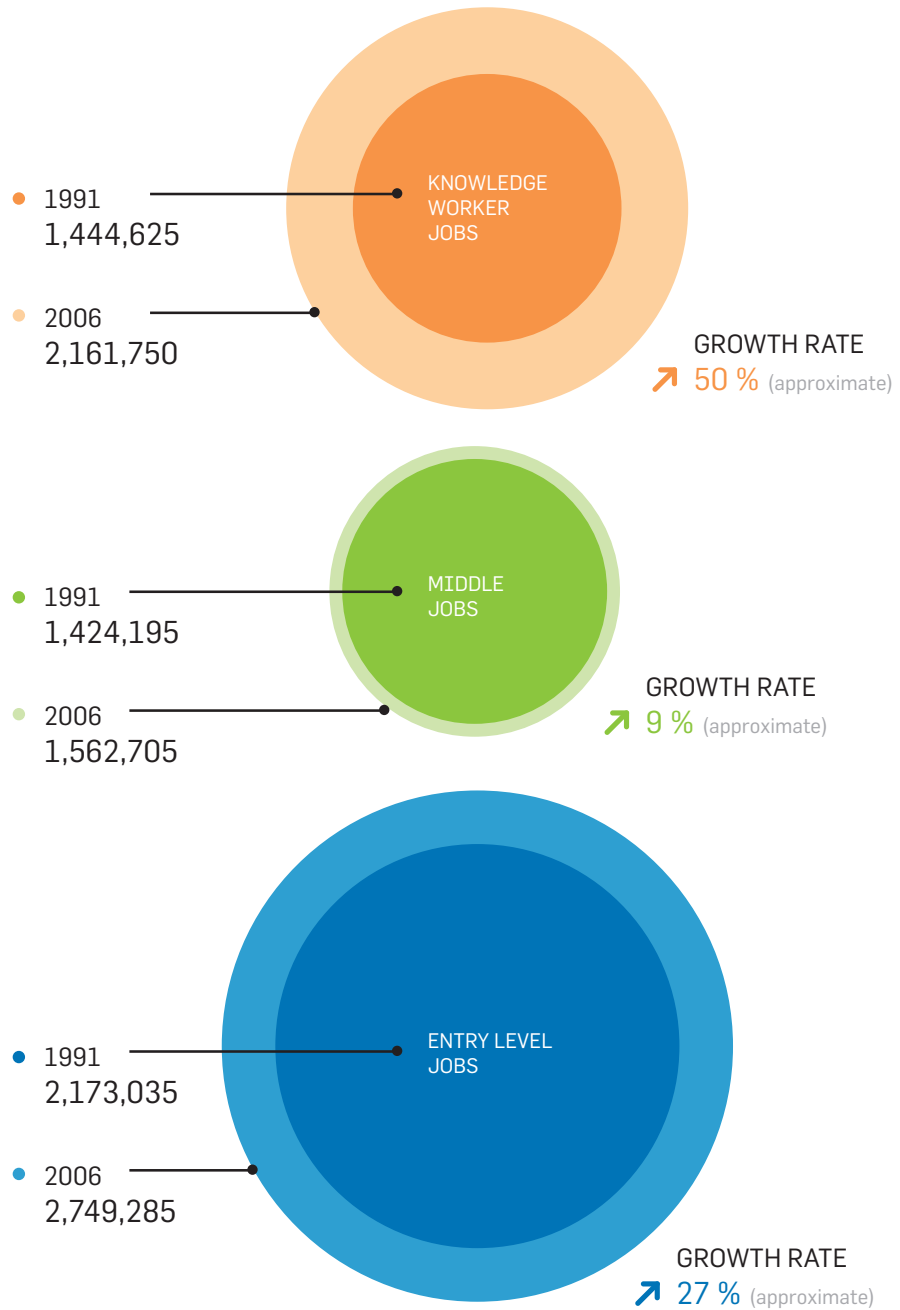
Using these three categories, over the 15-year period between 1991 and 2006, we can see how the profile of jobs in Ontario has increasingly taken on the shape of an hourglass, with prominent concentrations of jobs at the two ends of the job spectrum, knowledge work and entry-level jobs (see [Chart 6, next page](#)).

¹¹This classification approach is first applied in Tom Zizys, *An Economy out of Shape: Changing the Hourglass* (Toronto Workforce Innovation Group, 2010). This classification sorts occupations by the prerequisite educational attainment or work experience required. It is not an indicator of employment wage levels, although most knowledge work pays well (often very well) and most entry-level jobs pay poorly, often at or near minimum wage, while most middle jobs pay somewhere in between.

Chart 6

COMPARISON OF DISTRIBUTION OF JOBS BY SKILL CATEGORIES

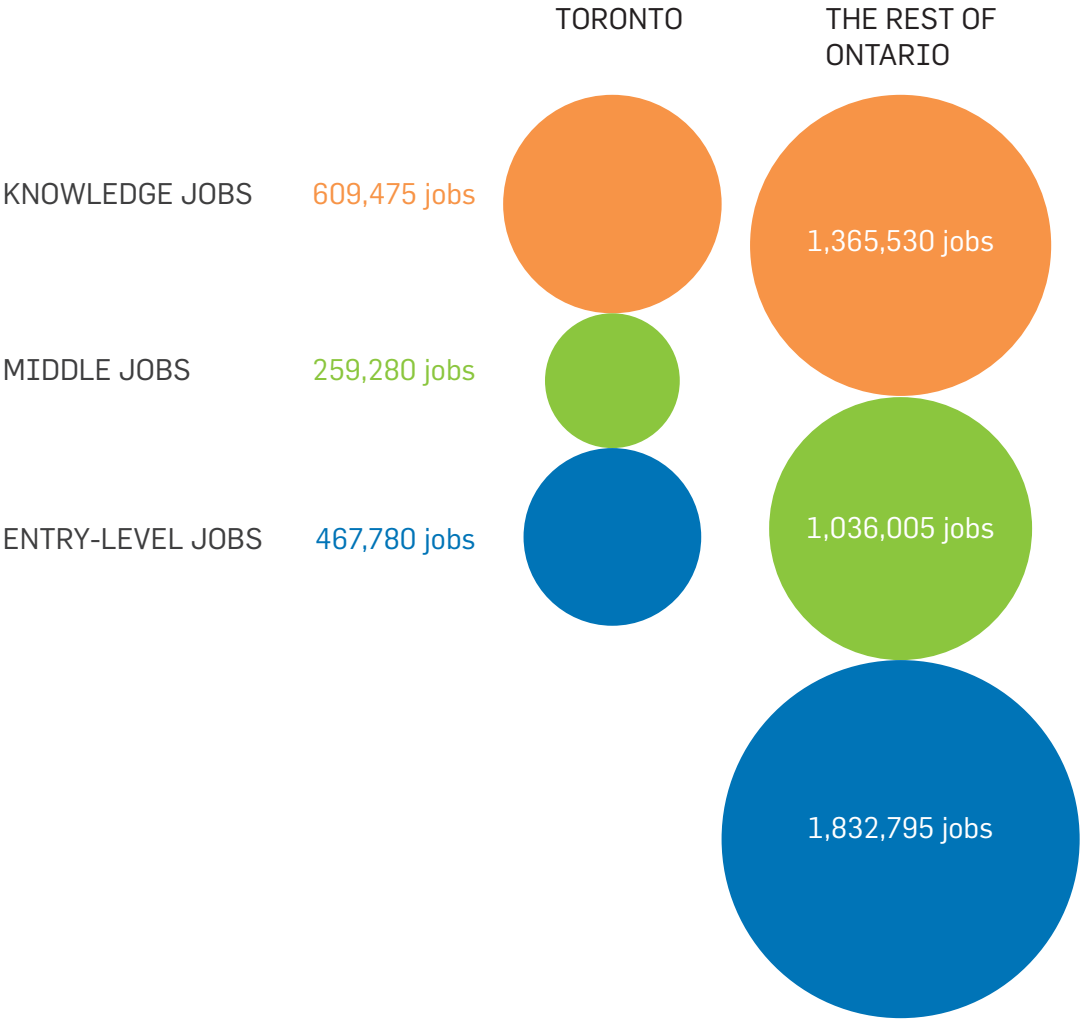
Ontario 1991–2006



Moreover, when one separates the Toronto labour market from that in the rest of Ontario, the hourglass takes a peculiar form, slightly top-heavy with a higher proportion of knowledge workers in the City of Toronto, and significantly bottom-heavy with a higher proportion of entry-level jobs in the rest of Ontario (Chart 7).

Chart 7
COMPARISON OF DISTRIBUTION OF JOBS BY SKILL CATEGORIES

Toronto and the rest of Ontario, 2006¹²



¹²There is a little arithmetic difference between the numbers for Ontario in Chart 6 and the total of the two geographies for Chart 7. This is because Chart 6 relies on Place of Residence data, while Chart 7 uses Place of Work data. Because each chart compares similar data, the relationships are the same. The difference between Charts 6 and 7 is that Chart 7 does not include workers with no fixed workplace.

It is not the case that middle jobs are disappearing, as this category grew between 1991 and 2006 in Ontario, simply that the other two categories, knowledge workers and entry-level jobs, have increased at a much greater rate over the same period.

What Changes in the Labour Market and the Structure of Firms Mean for Wages

The changed labour market system has not only affected the distribution of occupations, but has also contributed to a growing gap in wages between lower-level and higher-level occupations.

Not only are there now fewer entry points to employment in a firm and these entry points are less likely to be attached to a career ladder, but also entry-level jobs pay less than in the past, for several reasons:

- Employers no longer have to pay a premium to attract their future permanent workforce. Rather, entry-level workers earn what the spot market deems their value. When jobs can be automated, offshored, or allocated to casual workers, the pay for those positions can more easily be negotiated downward.
- Moreover, entry-level workers can no longer count on a sense of solidarity with other employees in the firm they work for. Supervisors and managers may no longer ensure an equitable wage distribution if all workers in the same workplace are not part of the same enterprise. Managers who have risen through the ranks used to view an upcoming colleague on the career ladder as an earlier version of themselves; but this attitude does not apply to temporary workers who are here today and placed elsewhere tomorrow.
- In the same way, entry-level workers lose their bargaining leverage in contract negotiations when they are no longer allied with higher skilled job holders in the same firm. Instead, cleaning staff in custodial services firms, groundskeepers in landscaping firms, food-counter attendants and cashiers in food service firms, and truck drivers in delivery firms are on their own in firms with monolithic, easily replaceable workforces.

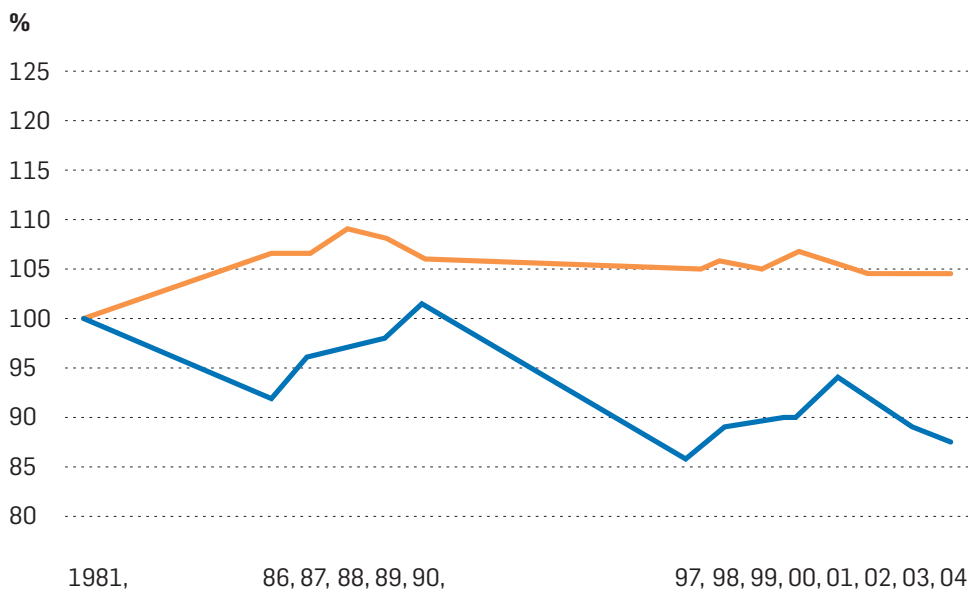
This growing polarization of occupations into two distinct categories, often higher-paid knowledge work and lower-paid (and often more precarious) entry-level jobs, has contributed to the growing polarization of income and wealth in our society.

To appreciate the impact of these changes, consider the data on the hourly wages of males aged 25 to 64 shown on [Chart 8](#) (the wage level in 1981 is set at 100.0). Between 1981 and 2004, the median wage in Canada for those with less than two years' seniority (the newly hired, shown as the light-blue line in the charts) fell 13% in real dollars, compared to an increase of 4% over the same period for those with over two years' seniority (dark-blue line). The impact on younger male workers (aged 25-34 years) is startling. Between 1981 and 1999, the real median wage for all males aged 25-34 years fell by about 14 percentage points and, as [Chart 9](#) (see next page) illustrates, the fall in wages between 1981 and 2004 for newly hired males aged 25-34 years old was around 18%.¹³

Chart 8
MEDIAN HOURLY WAGE BY SENIORITY, MALES AGED 25-64

Canada, 1981-2004

- More than 2 years of seniority
- Less than or equal to 2 years of seniority



¹³ Rene Morissette and Anick Johnson, "Are Good Jobs Disappearing in Canada?" *Research Paper: Analytical Studies Branch*, Statistics Canada, Cat. No. 11F0019MIE—No. 239, pp. 13, 17 and 46.

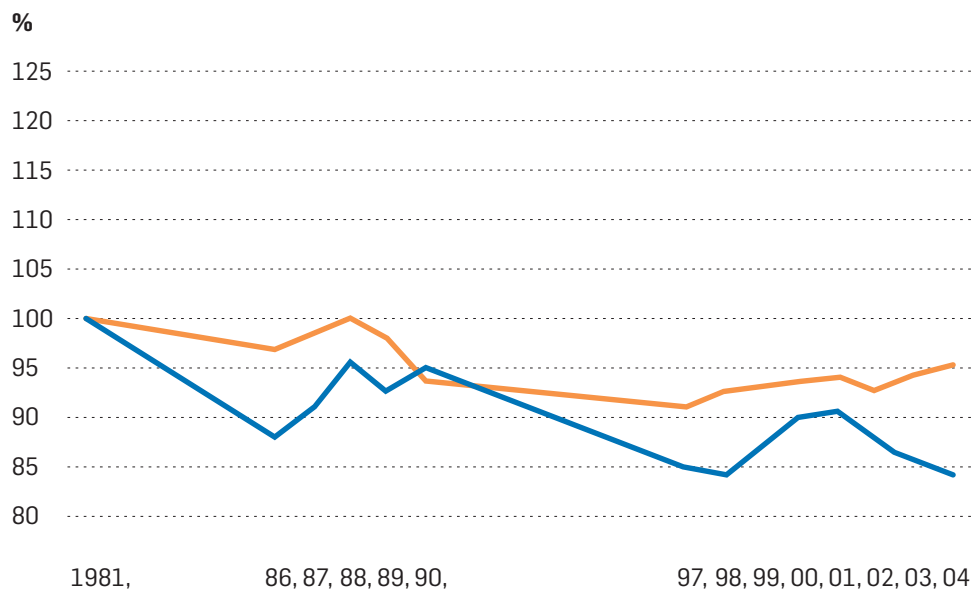
At the top end of the job hierarchy, this same transformation in the structure of work was having the opposite effect, pushing the salaries of those in upper-level occupations higher. Unlike the days of grooming internal candidates for upper-level positions, now firms had to compete in the open market for qualified, skilled managers, and professionals. In essence, firms would sometimes have to pay a premium to land a top prospect or to poach one from another firm, or offer a raise to a current employee to ensure he or she would not be lured elsewhere. One consequence was that skilled individuals in high-demand occupations saw their incomes rise at the same time as entry-level positions were experiencing a drop in wages, resulting in a growing polarization of incomes.

Chart 9

MEDIAN HOURLY WAGE BY SENIORITY, MALES AGED 25–34

Canada, 1981–2004

- More than 2 years of seniority
- Less than or equal to 2 years of seniority

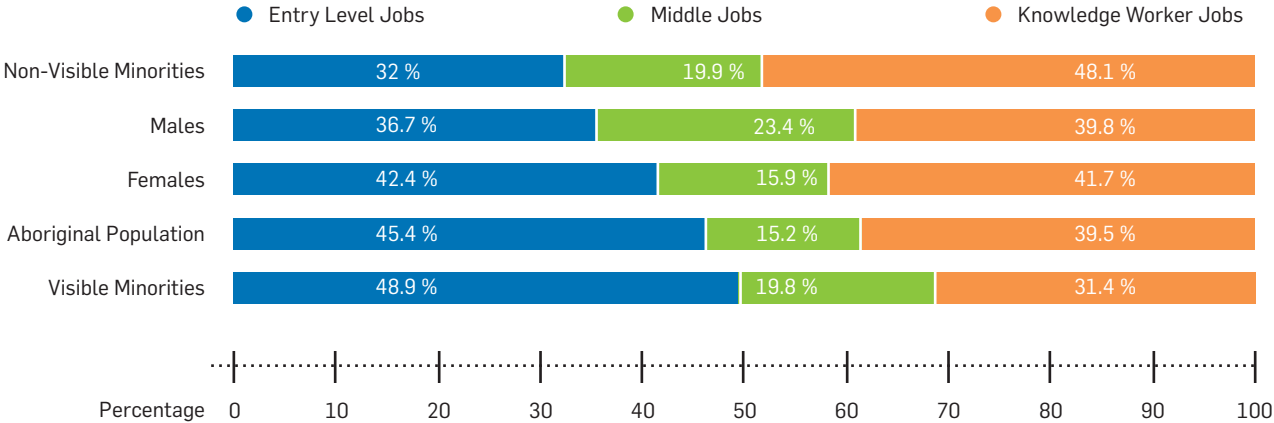


How Different Groups Experience Changes in the Labour Market

The labour market hourglass not only takes a different shape according to geography, but also changes shape for different segments of the population.

In Toronto (Chart 10), a greater proportion of women than men find themselves in knowledge work occupations, but also in entry-level jobs, while men have an edge over women in the middle category, primarily because of their huge lead in the skilled trades and higher-level occupations in transportation and manufacturing.

Chart 10
DISTRIBUTION OF JOBS BY SKILL CATEGORIES ACCORDING TO DIFFERENT POPULATION SUB-CATEGORIES, TORONTO, 2006



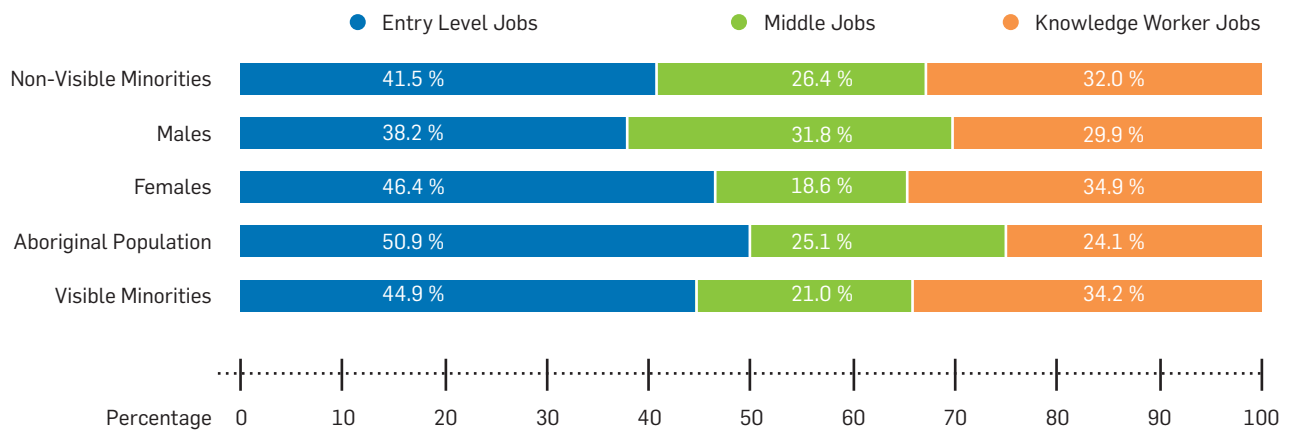
There is also a great variation between the labour market outcomes for visible minority persons and those who are not visible minority persons: almost half of visible minority persons in Toronto find themselves in entry-level jobs, while almost half of those not a visible minority are employed in knowledge work occupations. The circumstance of Aboriginal persons in Toronto is actually better than that of visible minority people; however, this profile is based on a small population. The outcome for Aboriginal persons in the rest of Ontario minus Toronto is the worst of any population group.

In the rest of Ontario minus the City of Toronto (Chart 11), different patterns emerge. While the proportion of women in knowledge work again surpasses that of men, what is more noticeable is the almost equal distribution of men across the three skill categories, while almost half of women (46.4%) work in entry-level jobs. The difference between the outcomes for those who are members of visible minorities and those who are not is far more muted compared to the glaring discrepancy found in Toronto,¹⁴ while Aboriginal persons fare especially poorly.

Thus, the hourglass motif provides a useful lens not only for illustrating changes in the labour market over time, but also how different parts of Ontario (in particular, the distinction between Toronto and the rest of the province) and different populations have notably different labour market outcomes.

Chart 11

DISTRIBUTION OF JOBS BY SKILL CATEGORIES ACCORDING TO DIFFERENT POPULATION SUB-CATEGORIES, REST OF ONTARIO MINUS TORONTO, 2006



¹⁴ It is not the purpose of this paper to explain these different outcomes for visible minorities, but two hypotheses come to mind: for a long time, Toronto has been a major reception community for newcomers; it is possible that the local labour market simply was not able to absorb so many highly educated workers, whereas the smaller number of immigrants settling elsewhere were more easily absorbed by those labour markets. As well, it is possible that immigrants attracted to Toronto's diversity might chose to move elsewhere once a job matching their education and experience was offered to them, thus guaranteeing their labour market success elsewhere.

Income Support and Employment Services for Workers Seeking Entry-level Jobs

Individuals seeking entry-level jobs are either trying to get their first work experience (youth and newcomers) or have limited skills or experience and thus limited job prospects. This latter group may also have other barriers to employment and may have a more tenuous attachment to the labour force. For all three categories (youth, newcomers, and individuals with barriers to employment), governments fund employment services to help them find jobs and provide income support for those who are unable to find or hold on to employment.

However, even as the labour market has changed, employment services and income support programs for the most part have continued to operate as usual. Furthermore a number of program changes have actually made life considerably worse for those at the lower end of the labour market.

- Changes to Employment Insurance rules require more weeks of work to qualify for benefits, but as jobs have become more precarious, more tenuous labour contracts have made it more difficult to accumulate the necessary weeks to qualify. In the 2008-2009 recession, only 46% of unemployed Canadians received EI benefits, compared with 71% and 76% in the recessions of 1981-82 and 1990-91 (in Ontario in 2009, only 38% of the unemployed received benefits).¹⁵
- Changes to social assistance (called Ontario Works in Ontario) have reduced benefits, made it more difficult to qualify for benefits, and created expectations that social assistance recipients will take steps to return to the labour market (that is, use employment services to find jobs).

As a result of the growing expectation that more individuals should find jobs rather than rely on income support programs, services have been expanded to assist individuals seeking employment. Rather than mere “job boards” where individuals could respond to job postings, services have been enhanced to provide the unemployed with more tools for finding work. Many of these services in Canada are delivered through non-profit community agencies funded by government contracts.

¹⁵ Matthew Mendelsohn and Jon Medow, *Help Wanted: How Well did the EI Program Respond During the Recent Recession?* Mowat Centre for Policy Innovation, 2010, pp. 6-7.

Employment Services Strategies and the Labour Force Attachment Model

At the same time as these changes were occurring, a shift was also taking place in what was considered to be the best strategy for moving individuals into the workplace. Two different approaches define the main choices.

- The Human Capital Development model assumes that unemployed individuals require education, training, or re-training in order to succeed in the labour market.
- The Labour Force Attachment model is based on the assumption that the surest way to become connected or re-connected to work is through getting a job.

Several circumstances have contributed to the Labour Force Attachment model's gaining the ascendancy. First, a number of program evaluations in the United States suggested quick access to work was more effective than the Human Capital Development model (indeed, some prominent evaluations suggested training made very limited difference in outcomes for the unemployed). Second, getting people into jobs is cheaper than retraining people. Third, the strong labour market in the United States in the mid-1990s created a demand for new employees that accommodated even those with the fewest skills and little work experience. As a result, the approach that now predominates rests on the assumption that "work first" works best, and that getting a job both helps people to acquire employability skills as well as reintegrates them into the labour market, making them more likely to get subsequent (and better) jobs.

The re-alignment of employment services

Just as entry-level jobs stopped being the first step towards a career, the strategy of employment services became singularly focused on getting an individual into a job, any job. When this approach yielded limited results, modifications were made to improve the employability of clients, enhancing their presentation skills or improving their ability to hold on to a job. But something more significant was taking place, which was largely being missed by the strategies adopted by employment services.

Supply-side strategies

The promotion of quick attachment to employment places most of its emphasis on the individual seeking work and what would help an unemployed person secure a job quickly. This focus on the individual seeking employment is termed a "supply-side approach," given the attention placed on the supply side of the labour market (that is, individuals looking for work), rather than the "demand" side (the employers).

Job search

Labour market measures were designed to enhance job search success through such services as:

- **Information and referral:** providing job seekers with information about labour markets, job openings, forecasts of employment trends, and links to specialized services;
- **Career planning:** developing individualized plans for addressing barriers and achieving employment goals;
- **Job search support:** offering advice on job search techniques through individual counselling as well as peer support through job search clubs;
- **Résumé-writing workshops:** enhancing presentation skills by ensuring that individuals have résumés and that their résumés are effective;
- **Interview skills:** further enhancing presentation skills through tips and practice sessions on job interviews.

Early on, two issues in particular emerged with respect to harder-to-employ populations (those who have experienced intermittent employment or face several barriers to employment): *employability* and *connections to jobs*.

Employability refers not to work-related skills so much as work-related habits and norms, such as attendance, punctuality, the ability to take direction, and getting along with co-workers. *Connection to jobs* refers to the fact that most employment is typically found through word-of-mouth, and individuals who are members of communities that have less attachment to the labour force have fewer social networks that can connect them to work.

Pre-employment and job linkage programs

Several strategies then emerged to address these barriers: pre-employment programs, which aim to meet the prerequisites to employment, and employment linkage programs, to provide direct channels to job openings. Pre-employment and employment linkage services comprise activities such as:

- **Life skills:** providing tools and insights for individuals to support their everyday lives, including financial literacy and interpersonal skills;
- **Employability skills:** acquiring the basic habits necessary for any job;
- **Job development:** identifying job openings and connecting job seekers directly with employers;
- **Job placement services:** providing an ongoing recruitment service to employers;
- **Non-profit temp agencies:** fee-for-service placement agencies for employers seeking temporary workers (often with options to hire such placements for permanent positions); these are community-sector alternatives to private-sector temp agencies.

Service delivery

The presence of multiple barriers to employment also necessitated the incorporation of other services to address issues such as childcare, access to transportation, domestic violence, or substance abuse. These considerations brought into play further refinements:

- **Case management:** keeping track of the various services and ensuring that they are delivered in a timely and supportive manner;
- **Service coordination:** ensuring that the full range of services can be brought to bear on the barriers that inhibit employment success;
- **Service integration:** linking services to overcome fragmentation and the silo effects of different program rules and eligibility requirements;
- **One-stop shopping:** collecting services in one location or making them available through a single access point, since unemployed individuals may not always be aware of the services available, or find it inconvenient to navigate the many service locations or application procedures.

Assessments

As further potential barriers were identified, the need to match individuals to the appropriate services became more pressing, particularly if the failure to do so appropriately early on might result in a discouraging series of setbacks on the employment front. Considerable attention was placed on **assessments for employment assistance**, which meant ensuring that the specific needs of each individual were properly understood, to allow for the provision of appropriate interventions and services.

Some training

All these efforts to promote immediate entry to employment did not mean that education and training were neglected. In certain cases, where language or literacy abilities were obviously deficient, or where short-term training could quickly improve employability, employment services also sought to enhance the human capital of the unemployed through:

- **English as a Second Language programs** to provide newcomers with essential English language skills, and increasingly, vocational ESL (VESL), or specialized English language training for a specific occupation or work vocabulary;
- **Literacy and numeracy training** to ensure prospective workers possess the minimum capabilities in reading and mathematics;
- **High school courses** to help individuals acquire a high school completion certificate, by now the absolute minimum requirement for even the most basic job;

- **Computer training** in response to the pervasive use of technology in most workplaces, to ensure that individuals have a basic understanding of the functions of a computer and are familiar with the most common software applications;
- **Vocational training**, including a limited range of skills-upgrading courses that support short-term training (typically less than the length of a semester) to prepare individuals for specific jobs.

Transitions and follow-through

While the supply-side approach had its successes, there was growing concern about longer-term benefits, in particular the degree to which individuals are able to stay in the jobs they have secured. This prompted further additions to the supply-side array of tactics:

- **Transitional jobs:** The acquisition of skills for employment sometimes requires more than workshops and counselling, and so transitional job programs emerged. These represent opportunities for job seekers to engage in real jobs for a limited time to acquaint them with the habits and expectations of the workplace. Following a stint in a transitional job, the program then helps participants find full-time, regular employment.
- **Job retention:** Individual counselling can help the newly employed deal with challenges that arise as a result of employment, either at the workplace or in relation to non-work matters. This service might include mediating with supervisors and co-workers.
- **Job advancement:** Individuals with barriers to employment are likely to find work in low-skilled, low-paying jobs that do not provide a living wage or offer the best working conditions. Since real labour market success depends on advancing to the next job, job advancement services seek to provide individuals with counselling, guidance, and support to make that transition.

Links with employers

Much of the literature on supply-side practices stresses the importance of connecting and engaging with employers, and exhorts employment service providers to address the needs of employers in the same way as they have sought to address the needs of their unemployed clients. A further set of practices has thus emerged whereby employment service providers approach employers and enlist their support for and commitment to community-based employment programs.

How the Changed Labour Market Affects Workers in Entry-level Occupations

The point of this extensive description of supply-side labour market approaches is to illustrate how at each point, when employment outcomes have not been as successful as originally expected, new techniques and tactics have been developed to overcome the apparent barriers that participants experience. This process of experimentation, analysis, and refinement has been creative and has usually improved the limited success that these employment services generate. But these adaptations have almost always been predicated on the view that the continuing poor labour market outcomes of the unemployed and the underemployed are entirely a consequence of deficiencies among this population that must be addressed. There has been very little consideration of the demand side of the labour market equation.

Even the strategy of having employment services engage employers is far more focused on what job openings exist today and how to match unemployed individuals to those vacancies, as opposed to identifying emerging skills requirements and preparing and training those same unemployed persons for the skills shortages of tomorrow.

Individuals trying to find entry-level jobs today face a number of frustrations:

- Entry-level jobs offer less pay, less secure employment, and fewer opportunities for advancement.
- Even as these jobs are becoming more precarious, income support programs that would otherwise provide assistance in the case of job loss or job scarcity are now more difficult to access, provide less income support, and seek to move clients back into the workforce as quickly as possible.
- Employment services that help individuals find jobs focus on quick employment, which often means precarious work, and in time these individuals cycle back onto income support and another round of employment services.

Meanwhile, much to their surprise, individuals limited to entry-level jobs based on their lower levels of education and prior work experience have found themselves increasingly competing with college and university-educated candidates for these positions.

In summary, in comparison to the system that preceded it, the new labour market paradigm has been no help to individuals who work at the low end of the occupation spectrum. One would be hard pressed to find a way in which lower-skilled workers have benefitted from the labour market transformations of the past few decades.

But perhaps that is stating the obvious: for years now, individuals have increasingly been urged to stay in school longer and embrace continuous learning throughout their working lives. This is, after all, the era of the knowledge economy, driven by brains, education, creativity, and innovation. Indeed, the flexible, contract-to-contract career of the new labour market system appears tailor-made for the knowledge economy¹⁶ and the epitome of the knowledge economy, the IT sector, created and refined this model.¹⁷

So maybe a fairer assessment of the new labour market paradigm would be to examine how well it is serving the new knowledge economy, following the hypothesis that the new economy requires a substantially different labour market system.

¹⁶ Celebrated by such books as Daniel Pink's *Free Agent Nation: The Future of Working for Yourself* (Warner, 2001): "Large permanent organizations with fixed rosters of individuals are giving way to small, flexible networks with ever-changing collections of talent...This broad shift in power from the organization to the individual has provided the individual with enormous flexibility, producing a corresponding and equally profound change on the personal level" (pp. 17-18).

¹⁷ Silicon Valley was not just the centre of the IT revolution, but also the laboratory for different ways of organizing work and corporations. High-tech start-ups fuelled by venture capital typically involved employees from established firms starting their own businesses. Each venture meant a new team, drawn by the promise of stock options, not job security. These firms have a single core business and everything else is out-sourced. As IT boomed, so this workforce model has spread. William Lazonick, *Sustainable Prosperity in the New Economy? Business Organization and High-Tech Employment in the United States* (Upjohn Institute, 2009).

The Changing Labour Market and the Knowledge Economy

What have been the outcomes for employees and employers who form part of or aspire to the knowledge economy?

- On the supply side, Canada has the highest proportion of working-age residents with a postsecondary education in the world.
- Yet a significant portion of this highly educated workforce ends up in low-skilled jobs earning poor incomes.
- And on the demand side, employers often lament that there is a shortage of skilled candidates for jobs.

We need to more closely examine these phenomena to make sense of what appears to be a contradiction: a possible oversupply of postsecondary graduates and a possible undersupply of skilled workers.

Canada's High Rate of Postsecondary Graduates

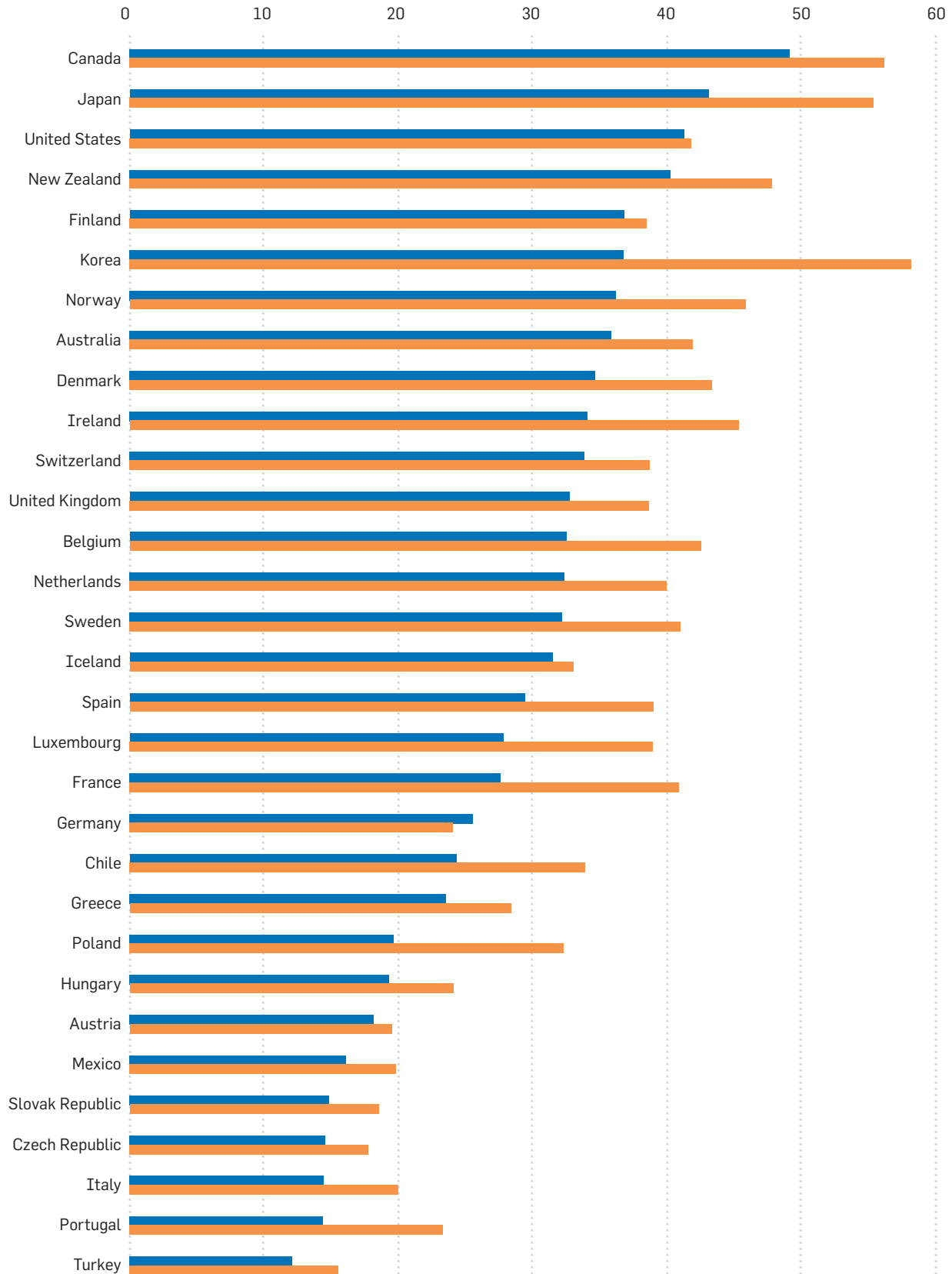
At first glance, Canada has done extremely well in developing a highly skilled workforce. In 2008, Canada had the highest proportion of working age residents (those aged 25 to 64) who had attained tertiary education (college, university, or advanced research) among all major industrialized countries. By the same measure, among those just graduating into the labour market (25-34 year olds), Canada has recently dropped to second place, behind South Korea ([see Chart 12, next page](#)).¹⁸

¹⁸ Organisation for Economic Co-operation and Development, *Education Today 2010: The OECD Perspective* (2010), p. 41.

Chart 12

**PERCENTAGE OF COLLEGE OR UNIVERSITY DEGREE HOLDERS
BY SELECT AGE GROUP, OECD COUNTRIES, 2008**

● Ages 25–64
● Ages 25–34



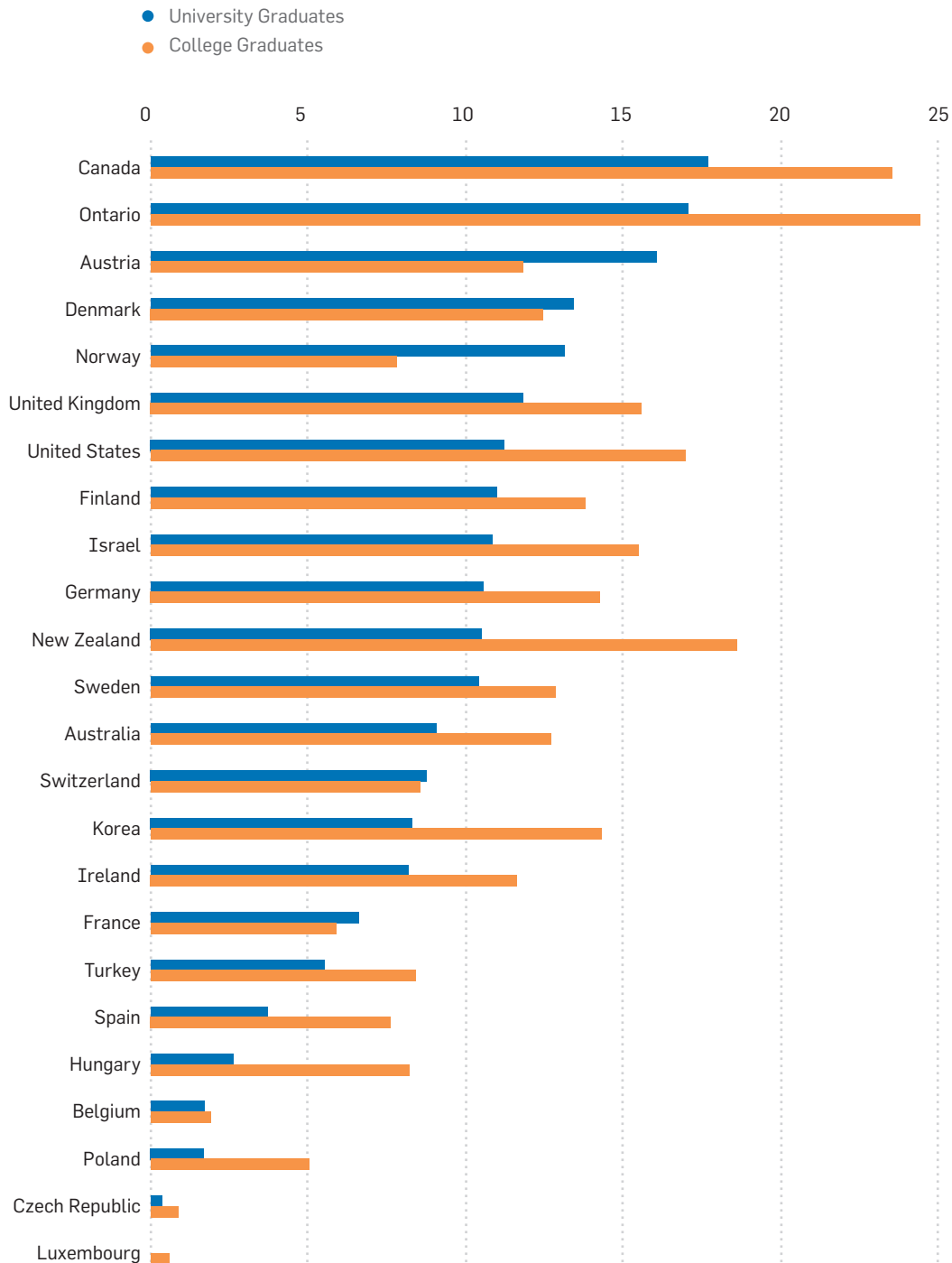
Poor Job Outcomes for a Significant Minority of Postsecondary Graduates

Disturbingly, Canada and Ontario have high ratios of postsecondary graduates who are earning less than half the national median employment income. For Canada in 2006, 18% of university graduates and 23% of college graduates aged 25 to 64 earned less than half of the national median employment income (the figures for Ontario were 16% and 24% respectively) (see [Chart 13, next page](#)). In both cases, these results are worse than for any other OECD jurisdiction for which there is data.¹⁹

¹⁹ Klarka Zeman, Kathryn McMullen, and Patrice de Broucker, "The High Education/Low Income Paradox: College and University Graduates with Low Earnings, Ontario, 2006," *Statistics Canada Research Paper, Culture, Tourism and the Centre for Education Studies*, Cat. No. 81-595-M – No. 081, 2010, p. 10.

Chart 13

PERCENTAGE OF UNIVERSITY AND COLLEGE GRADUATES, AGED 25-64, WITH EARNINGS AT OR BELOW LESS THAN HALF THE NATIONAL MEDIAN EMPLOYMENT INCOME, ONTARIO, CANADA AND OECD COUNTRIES (2006 OR LATEST AVAILABLE YEAR)



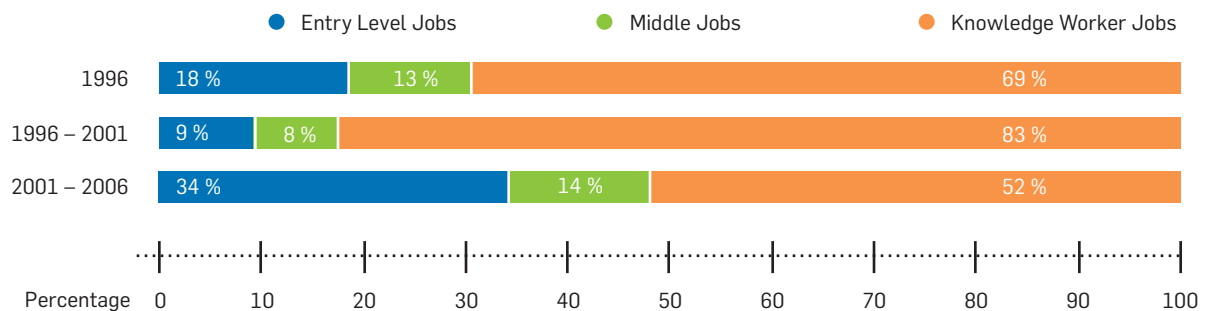
These employment income figures have to be related to occupation outcomes. In Ontario, 34% of college graduates and 20% of university graduates with a bachelor's degree worked in an entry-level job in 2006. This is problematic for two reasons. First, postsecondary graduates are ending up in jobs below their educational qualifications, thus negating their investment in higher education. Second, they are displacing individuals with lower educational qualifications from those jobs, *jobs for which they would otherwise be qualified*.

The data suggests that this trend has become more prominent in recent years. The charts below compare the occupation outcomes for employed residents with a bachelor's degree or higher for Toronto residents (Chart 14) and for all Ontario minus Toronto residents (see Chart 15, next page). The timeframes are as follows:

- The distribution by occupation category of university degree holders in 1996;
- The distribution by occupation category of the net increase of university degree holders between 1996 and 2001;
- The distribution by occupation category of the net increase of university degree holders between 2001 and 2006.²⁰

Chart 14

DISTRIBUTION OF EMPLOYED RESIDENTS WITH UNIVERSITY DEGREES BY OCCUPATION CATEGORIES, TORONTO

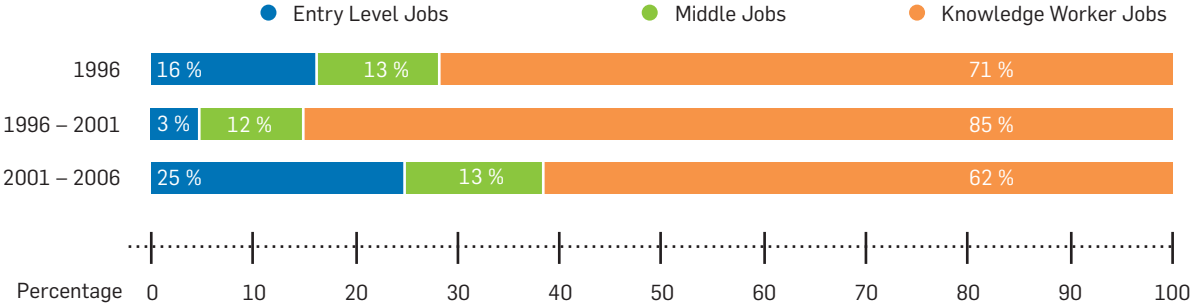


²⁰ The net increase is arrived at by taking the numbers for the end year (for example 2001) and subtracting the numbers for the base year (for example 1996) and then calculating the occupation distribution for that net increase. In a rough way, that provides some indication of how those entering the workforce during that period fare (largely youth and newcomers, minus the outcomes for those retiring).

While the period between 1996 and 2001 saw an improvement in the employment outcomes for new university degree holders in the employed labour force (more securing Knowledge Work jobs and fewer ending up in Middle Jobs or Entry-level occupations), there was a marked deterioration for the 2001-2006 cohort. A third of the increase (34%) in the employed labour force in Toronto with a university degree between 2001 and 2006 ended up working in an entry-level job in 2006.

This pattern applies to the rest of Ontario as well, with the outcome being only slightly less severe, with a quarter of the increase in university grads ending up in an entry-level job.

Chart 15
DISTRIBUTION OF EMPLOYED RESIDENTS WITH UNIVERSITY DEGREES BY OCCUPATION CATEGORIES, ONTARIO MINUS TORONTO



Box 3: Too many postsecondary graduates?

With postsecondary education being promoted as the prerequisite for a decent job, and with the Knowledge Economy and the Creative Sector being touted as the only answer to low-wage foreign competition, it borders on heresy to suggest that we may have too many postsecondary graduates. However, some studies in other countries have looked at the issue of highly educated workers with low earnings and come to this conclusion.

Labour market researchers in Austria and Sweden have suggested that developed economies have been creating more skilled workers than skilled jobs in recent years. Research in Ireland suggests that greater postsecondary attendance levels have diluted the quality of the graduating pool—capable grads still find decent jobs, but less capable grads are joining the ranks of the marginally employed.²¹

The contrarian viewpoint that more skilled workers are currently being produced than skilled jobs being created is strongly advanced in books such as *Who's Not Working and Why*²² (U.S. situation) and *The Mismanagement of Talent*²³ (U.K. context).

In Canada, one recent longitudinal comparison found that the number of university-educated workers who were over-qualified for their jobs was nearly one-third higher in 2001 than in 1993, and many who experienced over-qualification were in that situation for a long period of time.²⁴

²¹ Cited in Klarka Zeman, Kathryn McMullen and Patrice de Broucker, p. 15-16.

²² Frederic Pryor and David Schaffer, *Who's Not Working and Why: Employment, Cognitive Skills, Wages, and the Changing U.S. Labor Market* (Cambridge University Press, 1999). Their basic thesis, applicable to the U.S. labour market, is: jobs for less-educated workers have increased faster than the population with the corresponding educational credentials while jobs for more-educated workers have increased slower than the more educated population; the labour market is increasingly sorting workers not by their level of education (though this may be a first filter) but by a set of skills demanded by the knowledge economy.

²³ Phillip Brown and Anthony Hesketh, *The Mismanagement of Talent: Employability and Jobs in the Knowledge Economy* (Oxford University Press, 2004). The authors also find a surplus of workers with higher educational credentials. As a result, labour market success depends not on education or ability but on how job candidates prepare, package and present themselves in the recruitment process.

²⁴ Chris Li, Ginette Gervais, and Aurelie Duval, *The Dynamics of Overqualification: Canada's Under-employed University Graduates*, Analytical Paper, Statistics Canada, Cat. No. 11-621-MIE – No. 039 (2006). An overqualified worker was defined as someone who held a university degree and worked in an occupation that required at most a high school education for at least one month.

Does Canada Have a Skills Shortage?

Employers are frequently quoted in surveys, reports, and the media as having difficulty finding qualified employees.²⁵ At the same time, we have been endlessly bombarded with warnings about pending skills shortages arising as a consequence of the coming retirement of the Baby Boom generation.

How can it be at one and the same time that employers lament the lack of qualified job candidates while so many postsecondary graduates as well as credentialed newcomers end up in entry-level jobs? The possible explanations suggest a range of deficiencies:

- Not enough university graduates;
- Not enough higher degree graduates;
- Not enough science, math, computer science and engineering graduates;
- Not enough thinking, reasoning and communication skills.

Not enough university graduates

Even though Canada has the highest rate of postsecondary graduates, its figures are greatly affected by the large number of students graduating from college programs. In 2008, Canada had the largest proportion of students graduating from college programs among all OECD countries, whereas it ranked 17th and below the OECD average when it came to graduates from university degree programs.²⁶

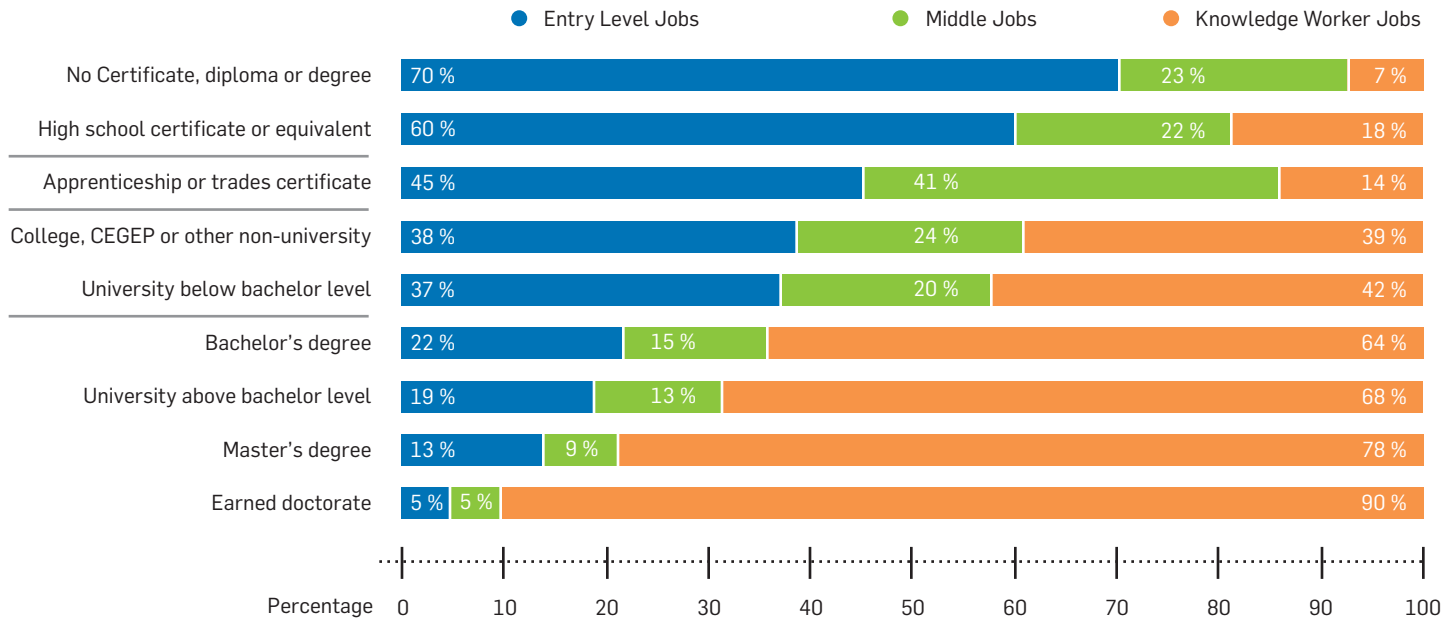
Not surprisingly, postsecondary graduates do have different labour market outcomes, measured by the occupation they obtain, depending on their degree or diploma. Using the skill categories described earlier (knowledge work, middle jobs, entry-level jobs), and examining the occupations of all employed Toronto residents by their educational attainment, one finds the outcomes shown in [Chart 16](#) (next page).

²⁵ Canadian Chamber of Commerce, *Canada's Demographic Crunch: Can underrepresented workers save us?* (2010), p. 10.

²⁶ Organisation for Economic Co-operation and Development, *Highlights from Education at a Glance 2010* (2010), p. 68.

Chart 16

DISTRIBUTION BY JOB SKILL CATEGORIES FOR DIFFERENT LEVELS OF EDUCATIONAL ATTAINMENT, EMPLOYED TORONTO RESIDENTS, 2006



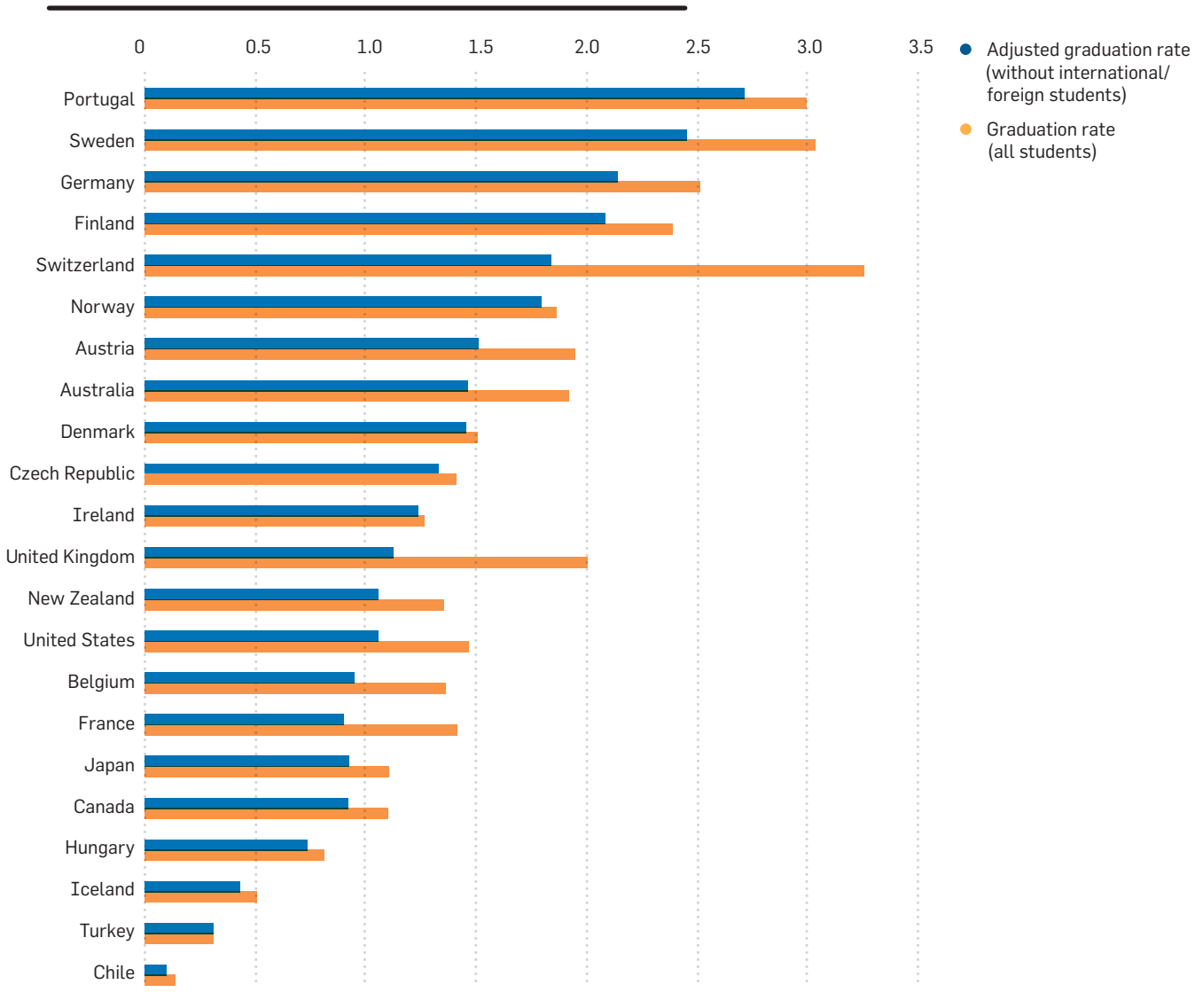
There are distinct differences in the occupation outcomes illustrated in [Chart 16](#), with four noticeable clusters: those with a high school degree or less; those in a trade; those with a college diploma or a university certificate less than a bachelor's; and those with a bachelor's degree or higher. Individuals with degrees higher than a bachelor's are very likely to end up in a knowledge work job (of those with more than a bachelor's degree but not a Master's or Ph.D., 68% of the employed are working in knowledge work jobs; for those with a Master's the figure is 78%, and for those with a Ph.D., 90%).

A bachelor's degree does result in better outcomes than a college diploma (64% of employed residents with a bachelor's degree are in a knowledge work job, and another 15% are in a middle job), although a college diploma is a good entry point to a middle job (39% of employed college grads are in knowledge work jobs, and 24% are in middle jobs). A high proportion of workers with apprenticeship or trades certificates are employed in middle jobs (41%).

Not enough higher degree graduates

Among the 30 OECD countries with comparable data, on average, 1.4% of a given age group in 2008 is estimated to complete an advanced research qualification (doctorate or post-doctoral programs). For Canada, the figure was 1.1%. These results may not always reflect a country’s performance, as the numbers include international and foreign students. Discounting for foreign students, among the 22 OECD countries with the relevant data, the figure for Canada was 0.9%, giving the country a ranking of 18th (Chart 17).²⁷

Chart 17
GRADUATION RATES FOR ADVANCED RESEARCH PROGRAMS,
IMPACT OF INTERNATIONAL/FOREIGN STUDENTS, 2008



²⁷ OECD (2010), p. 70.

Not enough science, math, computer science and engineering graduates

Regardless of the level of the degree, Canadian graduates may not be always choosing the fields of study that lead to better labour market outcomes. According to the Conference Board of Canada, Canada ranks 10th out of 17 among its industrialized competitors in the number of graduates from the fields of science, math, computer science, and engineering.²⁸

Not enough thinking, reasoning and communication skills

The problem may be less the level of education or the field of study but rather the type of skills being learned. The shortage may be not so much in technical skills but rather in the soft skills that underpin the knowledge economy. A recent book that has caused a stir in postsecondary institutions in the United States followed more than 2,300 undergraduates at two dozen universities. Its findings: 45% “demonstrated no significant gains in critical thinking, analytical reasoning, and written communications during the first two years of college.”²⁹ Do Canadian postsecondary schools do any better at instilling these skills than American schools?

Defining a skills shortage

Part of the explanation lies in what is meant by a “skills shortage,” a term that can represent different circumstances. A recent Australian study³⁰ offers the following useful typology:

- **Level 1 shortage** – There are few people who have the essential technical skills who are not already using them and there is a long training time to develop the skills.
- **Level 2 shortage** – There are few people who have the essential technical skills who are not already using them but there is a short training time to develop the skills.
- **Skills mismatch** – There are sufficient people who have the essential technical skills who are not already using them but they are not willing to apply for the vacancies under current conditions (e.g. the pay is poor).
- **Quality gap** – There are sufficient people with the essential technical skills who are not already using them and who are willing to apply for job openings, but they lack some qualities that employers consider are important (e.g. language skill, fit with the corporate culture, ability to work in a team, willingness to take the initiative).

²⁸ The comparison is for 2007. Canada does well in life sciences (biology, biochemistry) and physical sciences (physics, chemistry) and worst in computing and architecture and building. See < <http://www.conferenceboard.ca/hcp/Details/education/graduates-science-math-computer-science-engineerin.aspx#countries> >.

²⁹ Richard Arum and Josipa Roksa, *Academically Adrift: Limited Learning on College Campuses* (University of Chicago Press, 2011). The quote is from an analysis piece: Jacques Steinberg, “How Much Do College Students Learn, and Study?” *The New York Times*, January 17, 2011.

³⁰ Sue Richardson, *What is a skill shortage?* (National Centre for Vocational Education Research, 2007).

A necessary further wrinkle is that any given occupation can have many sub-categories and specialities, so that people with a specific, technical skill may be in short supply even when there are many candidates with the broader occupational designation.

What is often called a skills shortage, which many interpret as a Level 1 shortage, is more typically a skills mismatch or a quality gap. For example, restaurants may complain that it is hard to find good dishwashers. No one can imagine there is a shortage of people who know how to wash dishes—the more likely explanation may be that few wish to take on a dishwasher’s burden at the pay being offered. Similarly, when engineering consulting firms turn down newcomers who possess appropriate postsecondary credentials for a job, the reason may have less to do with the appropriateness of the technical knowledge and more to do with their English language skills or familiarity with Canadian business practices and culture.

For Canada as a whole, the top ten jobs that employers had difficulty filling in 2010³¹ suggest a different type of skills shortage in each instance. While skilled tradespersons require a long training period, a sales representative more likely needs specific personal characteristics. No one can imagine there is a shortage of individuals capable of being drivers in Canada, rather that individuals likely are not attracted to the characteristics of that occupation: the hours, the working conditions, the pay.

Box 4: Top 10 jobs employers have difficulty filling in Canada, 2010

1. Skilled trades
2. Sales representatives
3. Technicians (primarily production/operations, engineering or maintenance)
4. Drivers
5. Secretaries, personal assistants, administrative assistants, office support staff
6. Engineers
7. Chefs/cooks
8. Mechanics
9. Nurses
10. Teachers

³¹ Manpower, *Supply/Demand: 2010 Talent Shortage Survey Results* (2010).

Summary: the changed labour market and the knowledge economy

In the end, what conclusions can we draw about the degree to which the current labour market model serves the stakeholders of the knowledge economy? Those who have landed knowledge job employment have seen their incomes rise substantially (especially males living in Toronto).³² But a sizeable minority of individuals with postsecondary degrees are ending up in entry-level jobs and employers are complaining of shortages of individuals with either specific technical skills or the broader competencies needed in a knowledge economy.

This circumstance is a function of the current labour market. A system that depends on employers' hiring for their immediate job needs and on individuals' trying to meet those needs as they arise will likely have the following results:

- Individuals are not sure which technical skills are going to be in demand, especially if there is a longer lead time to acquire those skills, resulting in shortages in specific categories of skills.
- There is an oversupply of candidates with the basic technical skills, as more individuals heed the call to stay in school longer.
- Employers bid up the wages of highly prized individuals with the right technical skills and workplace competencies.
- Many candidates do not appear to "fit" the needs of a specific workplace, because they have not had the opportunity to assimilate a company's corporate culture or business practices by working their way up through the ranks.

This is not a labour market system that functions well for a large proportion of its stakeholders, employers, employees, and job seekers.

³² For most categories of occupations in Ontario, full-year, full-time wage incomes increased less than 10% between 1995 and 2005. For male knowledge workers in the rest of Ontario minus Toronto, and female knowledge workers in Toronto, wage incomes increased by about 15%, while male knowledge workers in Toronto saw their wage incomes rise almost 30%. Tom Zizys, *An Economy Out of Shape: Changing the Hourglass* (Toronto Workforce Innovation Group, 2010), p. 21.

Other Features of Our Changed Labour Market

It would be foolhardy to suggest that the demise of career ladders is the sole and overwhelming reason for the polarization of occupations and the transformation of entry-level jobs into dead-end jobs. Three other important labour market changes have contributed to these results.

First is the loss of so many jobs in the manufacturing sector and the corresponding increase in service-sector jobs, which has often resulted in the loss of better-paid blue-collar jobs that did not always require a high level of skills. Occupations in the upper reaches of the service sector (middle jobs and knowledge jobs) are out of reach to former blue-collar workers without the appropriate educational credentials, while the entry-level service-sector jobs pay considerably less than manufacturing jobs.

Second, the significant drop in the rates of unionization has placed individual workers at a disadvantage in negotiating wage rates with employers. In 1981, 38% of Canadian workers belonged to a union; by 2010, that figure had dropped to 29.6%. There is a clear wage premium that benefits union members, even after controlling for employee and workplace characteristics.³³

Third, for an extended period, the legislated minimum wage dropped when measured in constant dollars. The average minimum wage for all provinces in 1976 was equivalent to \$9.14 in 2006 dollars, by 2006 the average minimum wage was \$7.32, a drop of 20%.³⁴ Since that time, provinces have been remedying this situation, increasing the minimum wage by stages over the past few years.

³³ "Study: Diverging trends in unionization, 1981-2004," *The Daily*, Statistics Canada, Friday, April 22, 2005; Sharanjit Uppal, "Unionization 2010," *Perspectives on Labour and Income*, Vol. XI, No. 10, Statistics Canada, 2010, p. 18.

³⁴ Canadian Union of Public Employees, "Thirty Years of Dwindling Minimum Wages in Canada," *CUPE Economic Brief* (2006).

Not one of these factors was the consequence of some inescapable economic iron law. The loss of jobs in manufacturing, with the corresponding increase of employment in the service sector, did not make low-wage work inevitable. It is striking how comparable economies have significantly different proportions of workers who earn a low wage (earnings below two-thirds of the national median gross hourly earnings). In the mid-2000s, one-quarter of the employed workforce in the United States had low-wage work (25.0%). The figures for other industrialized countries spanned a wide range: Germany (22.7%); the United Kingdom (21.7%); the Netherlands (17.6%); France (11.1%); and Denmark (8.5%).³⁵

The decline in unionization rates was partly due to the employment shift from the union-heavy manufacturing and primary sectors to the union-light service sector, but it was also the consequence of a political shift that tipped the balance in collective bargaining legislation in favour of employers.

And the decline in the minimum wage was a political decision made in most North American jurisdictions, a race-to-the-bottom competition that is now being reversed.

The different wage profiles are a consequence of several factors:

- The extent to which countries rely mainly on markets and prices to structure their economies (which tend to increase low-wage work) versus placing greater emphasis on negotiation and consensus-building between employers and labour (which decreases the amount of low-wage work);
- The extent to which work (and occupations) are oriented towards low prices, low wages, lower productivity and poorer job quality, versus higher-valued added goods and services and a skilled workforce;
- The coverage of workers by collective bargaining agreements;
- The existence of binding minimum wages;
- Levels of income support for out-of-work workers.³⁶

The point is, we make choices about the kind of labour market we have, including decisions whether or not to do anything to fix it. This paper has emphasized the change from one labour market system to another in order to highlight what it is we gave up when we adopted—consciously or unconsciously—this new labour market regime. And appreciating this context may provide greater clarity in developing policies to redress the problematic aspects of our current labour market system.

³⁵ Eileen Appelbaum and John Schmitt, "Low-wage work in high-income countries: Labor-market institutions and business strategy in the US and Europe," *Human Relations*, vol. 62, no. 12 (2009), pp. 1907-1934, p. 1908.

³⁶ Appelbaum and Schmitt, pp. 1909-1912.

Consider the following:

- Over the last 20 years or so, the distribution of occupations in Toronto and in Ontario has increasingly taken on the shape of an hourglass, with growing numbers of positions among knowledge work occupations at one end and entry-level jobs at the other end. In proportionate terms, the middle occupations in the labour market are shrinking. The diminishing presence of middle jobs might also suggest limited movement from entry-level jobs to middle jobs and from middle jobs to knowledge work jobs.
- Entry-level occupations are increasingly precarious jobs and less likely to lead to a better job at the same firm. Being poorly paid (and, in comparative terms, the pay has been dropping), why would someone work at such a job if it does not lead anywhere, unless they have no other choice? Employers, on the other hand, complain they cannot get enough good candidates, often even for basic entry-level jobs.
- Without career ladders, the entire spectrum of occupations within a firm is open to competition from individuals outside the firm. Educational credentials and past employment history become a critical means for assessing a job candidate, because otherwise the candidate has no history with the firm.
- Knowledge work occupations attract many job candidates, but employers maintain there are not enough skilled prospects. For some employers, this means the lack of a highly specialized or advanced skill. But employers more often mean the lack of skills peculiar to that firm, that may include either specific technical knowledge about processes, systems, or equipment, or a set of personal characteristics that include communication skills, teamwork skills, and general “fit” with the company’s culture.

The disappearance of career ladders not only means the loss of job security for employees, which has become a labour market “luxury” swept away by the drive to contain costs and enhance a company’s flexibility. It also represents an investment on the part of a firm, a way to recruit workers early on, train them over time in the requisite technical skills, and groom them to fit into a given company’s procedures and style of operation, including its corporate culture. Many of these benefits of the career ladder paradigm are now cited as deficiencies within our workplaces: the low level of on-the-job training, the diminished sense of engagement that employees feel towards the firm they work for, and the lack of “fit” between otherwise technically qualified job candidates and the work culture of a company.

Box 5: Adapting the old to the new

A number of labour market analysts and commentators have made observations similar to those in this paper, about the impact of changes in the labour market on access to quality jobs and careers. In most instances, the prescription involves grafting some features of the old labour market system onto the new one:

Jody Heymann, Profit at the Bottom of the Ladder: Creating Value by Investing in your Workforce (Harvard Business Press, 2010): This book challenges the view that cutting wages and benefits for workers at the bottom of the corporate ladder is a fast and effective way to improve the bottom line. Using case studies of numerous companies worldwide, the analysis demonstrates that investing in front-line workers has a positive impact on corporate profitability. Among the human resources strategies employed are: higher wages; flexible scheduling and leave time; cross-training in jobs to increase flexibility across positions; and career advancement opportunities.

Frank Koller, Spark: Lessons from Lincoln Electric's Unique Guaranteed Employment Program (Public Affairs Books, 2010): Rather than a series of case studies, this book focuses on one company – the Lincoln Electric Company, the world's largest manufacturer of electric arc welding machinery and products, a market position it has held for decades. In 1958, the corporate board adopted a Guaranteed Continuous Employment Plan. The book describes the operations of the plan and the impact it has had on the company and its workers. The Lincoln Electric story forms the basis of a Harvard Business School case study, the highest-selling case study in HBS's history since it was first published in 1975.

Studies of Costco versus Sam's Club (Walmart): Walmart has for years been criticized for its low-wage policy. Supporters of Walmart cite its low prices that benefit all consumers, low and high income alike. An alternative view compares Walmart's wages to those of Costco: Costco workers in the United States earn 70% more than the average full-time Walmart worker and 40% more than the average Sam's Club worker (comparing discount warehouses). Compared to Sam's Club, Costco has less staff turnover and less staff theft; significantly, it also has higher sales per square foot of store, higher sales per employee, and a higher market share.³⁷

Cathleen Benko and Molly Anderson, The Corporate Lattice: Achieving High Performance in the Changing World of Work (Deloitte, 2010): A modified alternative to traditional career ladders, a corporate lattice offers a variety of development options, including sideways moves and assignment to teams as a way to both maintain employee engagement as well as accommodate differing commitments to work during a person's life cycle. If the corporate hierarchy has been flattened, the corporate lattice approach proposes transparent career pathways that contribute to job fulfillment and employee retention.

Supply/Demand: 2010 Talent Shortage Survey Results (Manpower, 2010):

Manpower is a world leader in employment services. In 2009, in 82 countries, it placed three million people in permanent, temporary, and contract positions. In response to its recent study on staff shortages worldwide, Manpower recommended more training of existing staff and new hires and promoting from within:

It is imperative that employers recalibrate their mindsets to consider candidates who may not have all the specific skills a job requires. This is especially true for systemic shortage of in-demand roles. Employers cannot address these shortages one hire at a time.

They must redefine job descriptions and candidate evaluations to identify people with “teachable fit” based on adjacent skills rather than traditional fit. At the same time, they must also commit to reskilling and upskilling employees, new hires and even potential candidates by partnering with governments and other stakeholders.

Monika Hamori and Maria Kakarika, “External Labor Market Strategy and Career Success: CEO Careers in Europe and the United States,” *Human Resource Management*, vol. 48, no. 3 (2009), pp. 355-378: The authors demonstrate by way of a survey of the chief executive officers of the 500 largest organizations in each of Europe and the United States that the more frequently a CEO had changed employers, the longer it took to reach his or her current position, contrary to the common wisdom that a mobile career trajectory fosters success.

The emergence of two distinct labour markets has contributed not only to a polarization of occupations and incomes, but also to a polarization of life experiences and expectations. Where once a CEO or manager was likely to have risen through the ranks and thus be familiar with the work conditions and viewpoints of employees further down the career ladder, now that insight and perspective is bypassed—an MBA serves as a way to short-circuit that process. That loss extends to knowledge about and appreciation of the life circumstances of those who are employed in entry-level jobs, or who cycle in and out of low-wage jobs and income support programs.

Although the rhetoric of the highly mobile knowledge work sector extols personal achievement, lifelong learning, and the right social networks, it is not obvious that more options are available to all when fewer opportunities exist to advance upward from entry-level jobs. Where once the system promoted occupational mobility (and thus social mobility), the current paradigm prescribes limited paths for advancement (the right schooling, the right degree, the right connections), which gives rise to social exclusion.

³⁷ Steven Greenhouse, *The Big Squeeze: Tough Times for the American Worker* (Anchor Books, 2009), p. 158.

Where Do We Go From Here?

Our current labour market is extolled for its flexibility and dynamism, but it is also the cause of a tremendous amount of dissatisfaction:

- Employers complain there are not enough job candidates with the right skills;
- Too many young people with postsecondary degrees work in occupations below their qualifications;
- Newcomers with educational credentials and professional experience are relegated to survival-level jobs;
- Individuals with few skills are shut out from the jobs they could do by overqualified candidates;
- Most job growth is occurring at the two ends of the job spectrum, a polarization of occupations that underpins the increasing polarization of income;
- Services for the unemployed focus on the deficiencies of the jobless while neglecting the dysfunctions of our labour market;
- As a country, we trail our competitors in workplace training and productivity growth.

We need to connect the dots. Canada's labour market is not working well.

Our economic policies and practices are a matter of choice. If the recent worldwide recession has taught Canadians anything, it is that enlightened public policy on the part of government and prudent decision-making on the part of the corporate sector (in this case, our financial institutions) makes a difference, even in a globalized marketplace. Canada has weathered the economic downturn better than many Western countries, because our financial regulatory framework did not permit, and the nature of our banking culture would not tolerate, the kind of speculative, devil-may-care lending practices that overtook so many other countries.

There is no reason why our workforce development practices could not be equally enlightened and effective. For decades, we operated under a set of labour market principles whereby employers pretty much managed the career development of individuals. Lifelong employment locked in the loyalty of employees; career ladders facilitated the development of middle- and upper-tier workers for an employer, ensuring the supply of skilled workers while providing individuals with solid, secure careers, not merely jobs.

The “perfect storm” that overtook our labour market transformed a predictable hierarchy of staged occupations that defined a good career and replaced it with a fragmented series of contracts and placements. This new paradigm promotes flexibility for the sake of market responsiveness and innovation. It also extols cost-cutting and short-term returns, resulting in job loss, job transformation, and an increase in precarious jobs.

We cannot turn back the clock, but we can decide in what ways we can shape the labour market to better serve our economic and social goals. We have replaced one labour market system with another without recognizing the structural transformation that has taken place and how it informs so much of what is wrong with our present arrangement. As a consequence, we have muddled through with peripheral, incremental, and patchwork responses. But we have choices. And our first choice is to decide that we want to do something about it.

If we do, we need to ask the following questions:

- What kind of response is needed?
- Who needs to be involved?
- What should be the focus of the response?

What Kind of Response Is Needed?

Making policy in a complex, multi-faceted field involving numerous stakeholders is difficult and messy, but not impossible. We have in recent memory engaged in numerous such endeavours, from the widely participative processes relating to constitutional reform to topic-specific consultations on economic policy (the MacDonald Commission), income security, homelessness, poverty reduction strategies, and social assistance. The topic of the labour market and workforce development is as important a public policy issue as any, affecting at the broadest level our economic competitiveness and at the most micro-level the livelihood and life aspirations of each individual.

We also need to learn from previous failures. In the early 1990s, as these labour market transformations were taking place, the federal government embarked on an ambitious process to shape Canadian labour market policy. We need to start from the learnings arising out of that debacle.³⁸

³⁸ Extended analyses can be found in: Andrew Sharpe and Rodney Haddow (eds.), *Social Partnerships for Training: Canada's Experiment with Labour Force Development Boards* (Caledon Institute of Social Policy and the School of Policy Studies, Queen's University, 1997).

This is not a process that government can lead. But it is a process where government can act as a convenor, bringing together as equal partners the exceptionally wide range of sectors that have a significant role to play. And the first task of such a roundtable is not to decide what policies can improve the functioning of our labour market, but rather what process will best support us to arrive at useful policies that can improve the functioning of our labour market.

This paper has focused on the labour market in Ontario and for this jurisdiction the convenor role needs to be undertaken by the provincial government.

Who Needs to Be Involved?

It might be an easier task to list who doesn't need to be involved. This is one reason why policy-making in this field is so constrained—the range of players is so wide and the nature of their interests is so fundamental, from the wages of workers to the profits of businesses, to such questions as who can teach or train whom or what qualifies a person for a specialized occupation.

The line-up for such a process would be extensive: employees (unionized and non-unionized), employers (large and small), the unemployed, the education system (notably high schools and postsecondary institutions), training bodies, and employment service providers. There are also many sectoral interests: chambers of commerce/boards of trade; industry councils; municipal governments; the non-profit sector; the equity sector... this list is incomplete. In addition, within each category there are subcategories; a strategy needs to be found to accommodate the divisions within each group to ensure appropriate representation.

Among all of these interests, several sectors need to be not only intimately engaged but actually directing this process: **employers** and **employees** (for obvious reasons); **government** (sets the rules, frames policy, major funder); and the **non-governmental sector** (numerous roles: educators, trainers, service providers, representatives of distinct interests). That is, while the provincial government may be the instigator/convenor, leadership for this process needs to rely on a multi-sectoral approach.

Such a process not only needs the right stakeholders at the table but also the benefit of the best thinking and analysis. Every significant participatory public policy-making process draws on extensive background research. There is a substantial body of literature, both Canadian and international, covering a wide array of labour market issues. While we may not want to copy what others have done, we should at least base our deliberations on an understanding of what is known to work and not work elsewhere. These include such topics as:

- Effective supply-side labour market programs;
- Effective demand-side labour market programs;
- Mechanisms for managing workforce development at a local level.

In addition, based on what data exists, it will likely be necessary to commission data gathering as well as analyses to enrich our understanding of what is currently happening in the labour market—the extent to which we do not know what is happening is considerable (for example, job vacancies are not tracked and since 2003 Statistics Canada no longer maintains a Help-Wanted Index).

Finally, mechanisms will need to be devised for effective consultation with and participation from the range of stakeholders, mechanisms that not only invite comment and input but that engage stakeholders in deliberations that recognize the numerous trade-offs behind every self-serving proposal.

What Should Be the Focus of the Response?

The goal is to improve our labour market and participants will be responsible for crafting recommendations. They will also be responsible for defining how they will measure the success of policy recommendations. But a few broad principles come to mind when considering how to frame this exercise:

- **Multiple objectives:** This exercise will more likely succeed when it can address several objectives simultaneously—productivity growth for the economy, equitable income distribution, revenue/profit growth for employers, at minimum a living wage for workers, and jobs for the unemployed. This adds to the challenge, but also to the likelihood of engaging the many interests involved.
- **Measurement:** These interests represent an array of values as well as financial positions. As far as possible, those involved must quantify impacts and costs, including making the business case for reform.
- **Implementation strategies:** This exercise is not over when its recommendations are produced. That is when the real work begins. A process that engages this broad collection of stakeholders needs not only endorsement of recommendations, but also commitment to an implementation plan.

When it comes to specific issues that require attention, the following come to mind (the list can no doubt be substantially expanded):

1. **Clarity about the labour market:** To begin with, we need consensus on the facts: how do we define a skill shortage and in what occupations, industries and communities do these exist? Is there a growing polarization of occupations and is it contributing to a polarization of income? What level of mobility exists between rungs of the occupational ladder? To what extent are we experiencing over-qualification and how might this affect the labour market outcomes of new entrants to the workforce, namely youth and immigrants? Has downward mobility of the over-qualified contributed to the increase in the numbers of the working poor?
2. **Workforce development mechanisms:** What might be appropriate mechanisms to coordinate workforce development at a local level? How should they be connected to economic development efforts, to the training and education infrastructure, to industry sector councils (which often operate at a national level)? What might be the role for the current structure of local training boards?
3. **Local labour market data:** How can we generate more timely, useable local labour market data? (Census data is collected every five years, released some two years afterwards; monthly labour force survey data relies on too small a sample to assist with local labour market adjustment.)
4. **Publicly-funded employment services:** Given the changes in the labour market, what are the implications for the focus of our employment services and the strategies and methods they apply?
5. **Robust evaluations:** We do not know how successful our employment services and training programs are. We need to determine what works and what does not work, and adapt our strategies to fit a changing labour market.³⁹

³⁹ In a major review of evaluations of publicly-funded employment and training programs in the United States commissioned by the U.S. Department of Labor, a major finding was that there is no consistent answer to how much publicly-funded employment and training programs help boost the earnings of program participants. It appears, however, that different groups have different outcomes: "Adult women seem to fare the best, as almost none of the impacts estimated for them are negative and relatively few are positive but negligible in magnitude, but many are positive and sizable." "At the other extreme, youth seem to fare least well, and in fact seem to be hurt as often as helped by the services that are provided to them, at least insofar as impacts on annual earnings are concerned." "Finally, the effects for adult men appear to be in between these extremes." As far as Ontario goes, we do not undertake these types of evaluations and we simply do not know the impacts and outcomes of our employment and training programs. Study cited: Ronald D'Amico, *What's Known About the Effects of Publicly-Funded Employment and Training Programs* (Social Policy Research Associates, under contract to the U.S. Department of Labor, Employment and Training Administration, 2006), p. 9.

6. **Apprenticeship system:** We know a shortage of experienced, skilled tradespeople remains an issue and while many have tried to improve the apprenticeship system it still thwarts the ability of many to complete the process and prevents many employers from offering apprenticeship positions in the first place.
7. **Middle jobs:** For many, Middle jobs are the answer, both encouraging and improving access to Middle job skills and occupations, and promoting among employers different ways to organize their workplaces to increase the proportion of Middle job positions.
8. **Aging workforce:** Much has been written recently⁴⁰ about the demographic reality of an aging population and the consequences for our labour force. What are the policy responses that need to be put in place to address this challenge?
9. **Internships and volunteer work:** There has been a growing reliance on internships and volunteer work as a way to provide youth or recent immigrants with Canadian job experience and access to job networks. Are these always appropriate? Are individuals sometimes being taken advantage of, working without pay because they desperately seek any entry-point to a job?

Complex policy issues are rarely susceptible to a quick fix. They often require the engagement of a broad set of stakeholders, involving dialogue and deliberation that can be prolonged and frustrating. Governments typically do not wish to set in motion processes for which they cannot anticipate the end product. Stakeholders often prefer the devil they know.

Where before we took career progression for granted, now we need to encourage it explicitly. Even though it benefits employees, employers, and our economy as a whole does not mean that it will happen spontaneously. It requires a conscious choice, a government policy framework and a set of labour market practices that can emerge only if we deliberately put our minds and energies to creating them.

The point is, we have a choice. The consequence of our choices to date have resulted in an increasingly polarized labour market, reduced growth in productivity, and considerable dissatisfaction among many stakeholders in our current labour market outcomes. With a proper understanding of our current predicament, we can address these challenges and create a more productive labour market that better serves employers and employees alike.

The current labour market does not well serve many of its constituents. We can continue muddling through, or we can begin the process of seeking to change it.

We have choices.

⁴⁰ The most recent work has been Rick Miner, *People Without Jobs, Jobs Without People: Ontario's Labour Market Future* (2010).

Appendix: Elements of a Response to Labour Market Problems

The purpose of this paper is not to provide solutions to our labour market challenges. Rather, it is to explain how we got to be where we are. But in understanding where we came from, the elements of a policy response become clearer.

We cannot resurrect the labour market system of the past. But there are features of that system that can and should be adapted to our current labour market processes. The following features would inform a more effective labour market.

A Vision of a Better Labour Market

Supply-side strategies that seek to remedy the barriers faced by the unemployed and underemployed address only part of the labour market equation. What barriers do employers face in recruiting, retaining and promoting workers? What would the workforce look like if employers could rely on getting the right employee at the right time, and could avail themselves of the right training program when they needed it? In order to shape a policy response to labour market problems, we need to imagine what a better labour market could look like, one that could benefit employers and employees alike.

Good-Quality Labour Market Data and Analysis

In a labour market as dynamic as ours, individuals making career choices need accurate information. By and large, Canada generates very limited timely, good-quality labour market information. Labour market interventions require useful and actionable labour market data.

An Emphasis on Workforce Development as well as Economic Development

There was a time when municipal economic development officers “chased smokestacks,” trying to entice factories to locate in a particular municipality through tax concessions and grants. Nowadays, municipal economic development strategies identify promising industry clusters, promoting partnerships between research and innovation on the one hand and industry and commerce on the other. Developing innovation centres and creating supply-chain linkages are the current instruments of choice in the economic developer’s toolkit. Nothing similar currently exists on the workforce development front in Toronto or Ontario.⁴¹ Employees form one of the largest expenditures for a company, and human capital is regularly cited as the most important ingredient in our economy. Should we not therefore be promoting workforce development strategies and workforce development systems, in much the same way that we facilitate research and innovation, or various forms of infrastructure?⁴²

Transforming Employment Services from Job Placement Agencies into Human Resources Support

Employers are regularly extolled to invest in their employees. The problem is that many employers already have too much to contend with in a highly competitive environment. Existing Human Resource departments are consumed with recruiting (a flexible workplace means more turnover), managing the challenges of a modern workforce (including issues such as diversity, work-life balance, and harassment), and safeguarding the company’s interests in the case of dismissals or large lay-offs. Only the most progressive HR departments focus on workforce development. Meanwhile, our publicly funded employment agencies are mandated to get individuals into jobs as quickly as possible, whereas getting them on a career track requires time and a cooperating employer. Employment services would have a far more profound impact if they were mandated to work with employers on workforce development, not simply job placement.

⁴¹ Some individual community colleges and universities with acclaimed programs have created strong linkages with specific industries; similarly, the Toronto Financial Services Alliance, as both an industry-specific and geography-specific body, takes a strategic view of how to meet the workforce needs of its industry.

⁴² The OECD has an entire program on the intersection of workforce development and economic development, called the LEED Programme (Local Economic and Employment Development) with an extensive series of reports highlighting best practices and case studies from across the OECD roster of industrialized countries.

Support for Middle Jobs

Despite the attention showered on the knowledge economy and the need for continuously higher levels of academic achievement, the fact is that both for domestic prosperity and social cohesion we need to place a greater emphasis on middle jobs, the occupations situated between entry-level jobs and knowledge jobs.⁴³ These jobs represent higher levels of labour productivity and higher wages, and can offer a reachable next step for career advancement from entry-level positions. They also could serve as a safety valve for individuals with postsecondary credentials who cannot find a knowledge work job.

A Focus on Specific Sectors

Truly understanding the workforce needs and labour market dynamics of an employer is time-consuming and requires detailed knowledge of the company's work. To focus efforts and accumulate knowledge and experience, those crafting a policy response to labour market problems should identify particularly promising industry sectors and/or occupations, in that way developing an extensive expertise about a single field of work in order to identify appropriate strategies that would benefit stakeholders.⁴⁴ Sector-specific strategies focus on industry sectors where there are jobs with good pay (or at least opportunities for advancement), identify employers who are committed to investing in their workers, and help shape workplaces in such a way to support on-going training and career advancement for workers.

⁴³ These occupations include: retail trade and restaurant managers; administrative supervisors; wholesale trade sales representatives; skilled tradespeople; manufacturing supervisors and various machine operators. In the United States, the National Skills Coalition promotes a *Skills2Compete* campaign, based on its publication, *America's Forgotten Middle-Skill Jobs* (2007).

⁴⁴ An excellent primer on sector strategies, what they are and how to put them into practice, is the Manufacturing Institute/Center for Workforce Success, *Filling America's Jobs: How Businesses Can Implement Sector Workforce Development Strategies for Jobs and Economic Growth* (2007). For case studies on successful sector strategies, see: Maureen Conway and Lily Zandniapour, *Industry-Based Employment Programs: Implications for Welfare Reauthorization and Key Survey Findings* (Aspen Institute, 2002). The Aspen Institute website also has numerous background papers on several case studies under its Sectoral Employment Development Learning Project Case Studies Series. See also the Center for Community Change, *Organizing for Jobs: Lessons Learned from CCC's Sector Organizing Project* (2002).

A Role for Intermediaries

The range and depth of a demand-side strategy has led to the creation of consortia that can include a wide array of stakeholders to take on such a multi-faceted approach. A separate body keeps the different interests and perspectives focused and coordinated on a demand-led vision. These bodies have come to be called intermediaries, because they occupy the space between employers and the range of stakeholders interested in workforce development. Intermediaries typically include businesses or industry sector organizations, labour unions, educational institutions (usually community colleges because of their emphasis on vocational skills), community and residents' organizations, community-based employment services, and governments. Intermediaries perform a number of functions, including:

- undertaking research and development work to inform workforce development;
- helping stakeholders link up and improve their services;
- identifying and helping design training programs;
- acting as go-betweens or secretariats for sector-specific strategies;
- supporting job advancement and productivity improvements by creating skills standards and career pathways;
- fashioning workforce development systems out of isolated projects and programs.

Transformations in the Workplace

The limited evaluation literature demonstrates that intermediaries produce the most significant outcomes when they tackle how work is organized, as opposed to simply connecting individuals with jobs. A U. S. survey of 220 labour market intermediaries, ranging from temp agencies to local sector-wide employment strategies, concluded that:

- Using a workforce intermediary **only to obtain new workers leads to lower wages**, to the detriment of workers and to the possible detriment of employers (these employers experience both lower labour costs and lower productivity, and it varies from employer to employer whether the lower labour costs produce sufficient savings to offset the lower productivity);
- Using a workforce intermediary **to plan and/or provide training reduces labour turnover**, which then appears to lead to higher productivity and higher wages, benefiting both employers and workers;
- Using a workforce intermediary **to redesign jobs leads to higher productivity and higher wages**, benefiting both employers and workers.⁴⁵

⁴⁵ PEERS (Partnership for Employer-Employee Responsive Systems), *Workforce Intermediaries: Generating Benefits for Employers and Workers* (Ford Foundation, 2003).

Career Ladder Programs

If part of the problem has been the collapse of career ladders within companies, then part of the solution might involve reconstituting career ladders, either with one employer or, better still, across a group of similar employers, to achieve some economies of scale in training and widen the employment advancement options. In such an instance, a program could not only help entry-level workers find employment, but also assist incumbent workers with job-related training that allows them to acquire the education or training that qualifies them for career advancement.

What is noteworthy about such current career ladder programs that cross a number of employers is that they are intentional and explicit – that is, job classifications are mapped and job experiences and training are directly linked to accessing the next rung in the ladder. Indeed, work may also be restructured, to permit more incremental steps, providing rewards for intermediate steps as opposed to requiring workers to accumulate a full diploma or certificate before they are eligible for promotion.⁴⁶

⁴⁶ Some very useful resources for learning about career ladders approaches include Joan Fitzgerald, *Moving Up in the New Economy: Career Ladders for U.S. Workers* (Century Foundation, 2006) – this is the book on career ladders, reviewing numerous programs in five distinct industry sectors. Other sources include Davis Jenkins and Christopher Spence, *The Career Pathways How-To Guide* (Workforce Strategy Center, 2006); Randall Wilson, *Invisible No Longer: Advancing the Entry-level Workforce in Health Care* (Jobs for the Future, 2006); Pablo Mitnik and Matthew Zeidenberg, *From Bad Jobs to Good Jobs? An Analysis of the Prospects for Career Ladders in the Service Industries* (Center on Wisconsin Strategy, 2007). For career ladder strategies in the green-collar sector, see: Apollo Alliance and Green for All, *Green-Collar Jobs in America's Cities: Building Pathways Out of Poverty and Careers in the Clean Energy Economy* (Apollo Alliance, Green for All, Center for American Progress, and Center on Wisconsin Strategy, 2008); Sarah White and Jason Walsh, *Greener Pathways: Jobs and Workforce Development in the Clean Energy Economy* (Center on Wisconsin Strategy, Workforce Alliance and Apollo Alliance, 2008); Robert Pollin and Jeannette Wicks-Lim, *Job Opportunities for the Green Economy: A State-by-State Picture of Occupations That Gain from Green Investments* (Political Economy Research Institute, 2008).

While innovative, these approaches are hardly new or untried. Many jurisdictions rely on workforce development intermediaries to help focus and coordinate labour market strategies that can improve outcomes for employers (through reduced recruitment and retention costs, and higher productivity) and for employees (access to better-paying and more secure jobs, opportunities for career advancement). The Toronto Workforce Innovation Group recently published an analysis of five case studies from the United States and Europe.⁴⁷ The United States alone has 650 Workforce Investment Boards.

The Organisation for Economic Co-operation and Development (OECD) has long advocated for a more strategic approach to labour market policies, not simply to create more jobs but to ensure a supply of better jobs. Their recent report⁴⁸ summarizing the necessary policy steps at a national and local level apply equally well to needs in Toronto and Ontario.

⁴⁷ Toronto Workforce Innovation Group, *Planning to Succeed in Toronto: Integrated Workforce Planning Examples from the US and Europe* (2009).

⁴⁸ Francesca Froy and Sylvain Giguere, "Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at the Local Level," *OECD Local Economic and Employment Development (LEED), Working Papers* (2010).

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