

# Human Capital Newsletter

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Pre-emptive action is needed to build a 2010 workforce

BC needs an industry training tax credit incentive

Canadian training systems don't measure up to international benchmarks

Offshore oil and gas development could mean significant employment growth

## PRE-EMPTIVE ACTION IS NEEDED TO BUILD A 2010 WORKFORCE

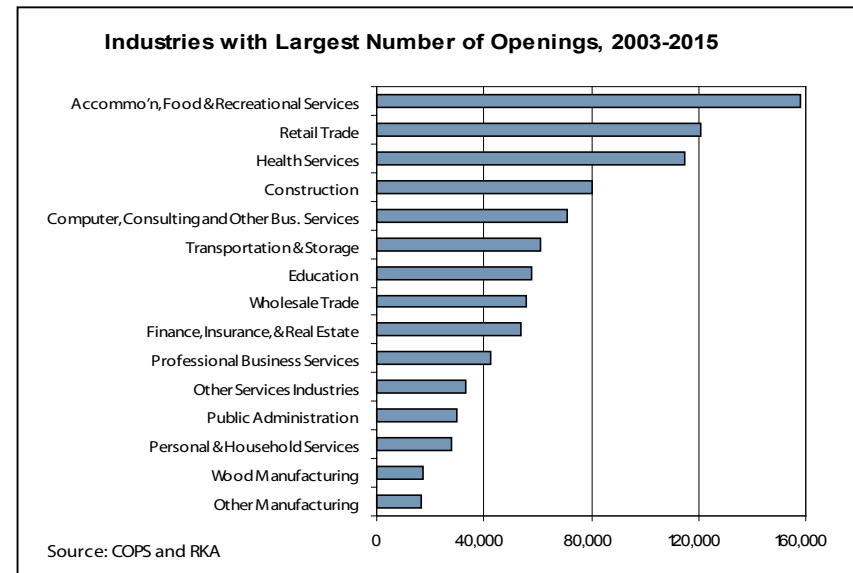
As we move closer to Canada's 2010 Winter Games in Vancouver, what does this mean for our labour market? Will we have the skilled human resources to build and maintain a vibrant, sustainable BC economy?

According to recent research, we expect there will be over 1 million job openings in BC between 2003 and 2015, with this growth peaking in 2010. This is on top of current and looming skills shortages in key BC industries such as construction, tourism and transportation.

2010 is symbolically important for another reason. For the first time in our history, the number of workers leaving the industry is expected to exceed the number of new labour force entrants. The aging of BC's workforce is already hitting us. For example, in 2001, half of all crane operators were 45 years and older; and 40% of carpenters were also in that age bracket.

The bottom line is that this expected increase in labour demand coupled with a shrinking labour supply over the next several years could limit economic activity related to 2010 and other major projects—that is, without innovative action by industries, governments and training institutions.

Concern has been raised about the shortage of skilled workers and the impact on keeping costs down and meeting timelines in construction projects. Some proponents have suggested the only and/or best way to avert this is through a labour wage pact



among building trades, contractors and the 2010 Vancouver Organizing Committee. However, of the \$13 billion in construction investment expected over the next several years, the Games-specific construction is a small part, well under 10%. Planners, industries and workers need flexibility and innovation, not rigidities and regulation.

The good news is that BC has the basic ingredients in place for effectively developing and maintaining the pool of skilled human capital required before, during and after 2010.

The provincial government committed to funding 25,000 new post-secondary education and training spaces to 2010 and presumably a number of these will be in trades and technical training programs related to 2010 and other economic growth. Also, the government's new Industry Training Authority, with its mandate for flexible industry-responsive training models, is well-positioned to work with in-

dustries to ensure we have the necessary quantity and quality of skilled workers.

Employers are also starting to step up to the plate. Many industry groups are putting new programs and approaches in place to avert a major skills problem. In the BC construction industry alone, there are several examples of industry leadership and action on the skills front. The 2010 Construction Leaders' Task Force and new training and skills initiatives by the Canadian Home Builders' Association of BC, the BC Construction Association, the Independent Contractors and Businesses Association, and the BC Wall and Ceiling Association are examples of this.

BC also has a vast network of public, private and community-based training institutions. Private institutions are becoming more active in trades training. Public colleges are retooling their programs to better respond to industry needs. These training providers will need to work to-

gether to facilitate better articulation, transfer and bridging and laddering for our labour force. And there is no reason why more skill training programs can't start at the high school level through industry partnerships and mentorships.

What else needs to be done? Here is where there is opportunity for creative thinking and unprecedented innovation in BC's labour market arena.

The number one priority should be for the provincial and/or federal government to introduce an industry training tax credit. In its annual training and development outlook, the Conference Board of Canada reports that Canadian employers continue to under-invest in learning, suggesting that there "is no doubt that continued under-investment in learning will adversely affect our productivity and competitiveness." One of the key barriers to businesses providing skill development opportunities for their employees is the direct and indirect costs of these types of investment.

Canada's tax system supports companies who invest in research and development, purchase manufacturing equipment, natural resource exploration, environmentally sustainable practices, etc. Why shouldn't it provide incentives for those who invest in our human resources? The Government of

Ontario considered this question and recently created an Apprenticeship Training Tax Credit to encourage employers to hire and train apprentices in certain skilled trades.

What else is needed? It's time to think big and provide BC and Canada with an industrial training system needed to be competitive in the 21st Century:

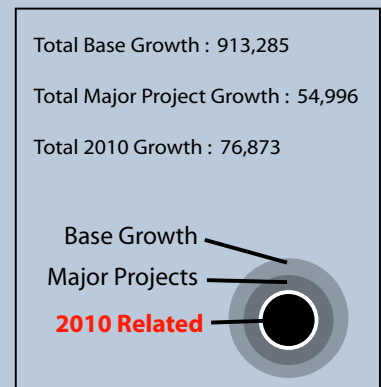
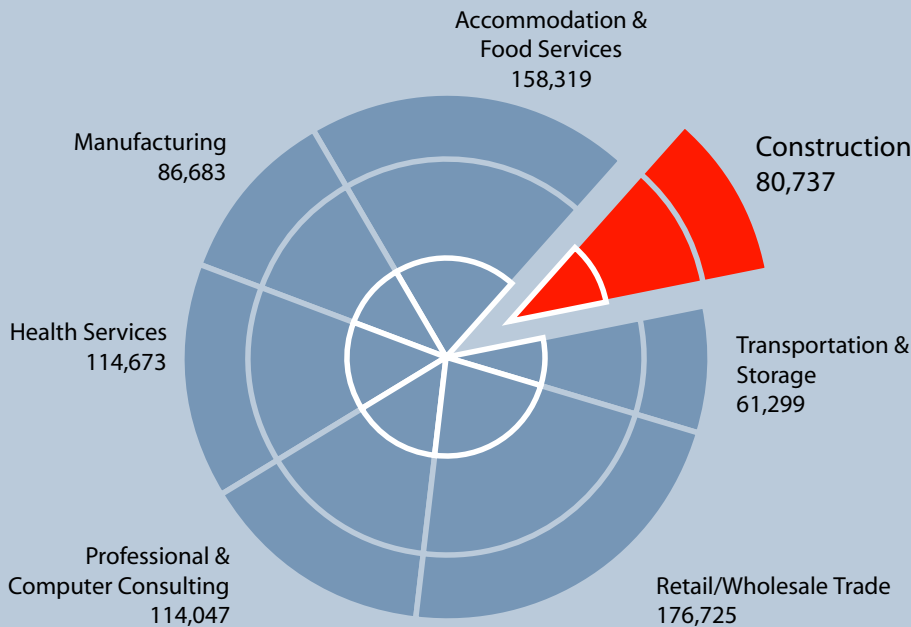
- The successful 2010 Bid committed to include economic, social and environmental sustainability priorities in its procurement process. Why not include the priority of a skilled workforce in the process so that bidders who include apprenticeship or traineeship programs within their proposals—everything else being equal—receive extra evaluation points? Just as 2010 venues will provide a legacy for local communities, let's create a skills and training legacy: a 2010 Traineeship Legacy Program where industries establish needed training programs and credentials. A body such as the Industry Training Authority could market and administer this. Also, let's work with Skills Canada BC to hold a 2010 Olympic Skills competition to promote and profile excellence in skilled occupations.
- Cohesive, multi-year planning. Governments and industry associations can provide leadership to work together on coordinating and planning their skills and

training efforts. This doesn't have to be "central planning," rather the same type of collaboration among leaders on other big projects, but focused on human capital planning.

- We need a provincial or even national qualifications framework. Canada is one of the few industrialized countries that does not have a national vocational qualification framework to facilitate the development, recognition and portability of occupational credentials. It works for Australia, Ireland, New Zealand and the U.K. A variation of this exists in Austria, Germany and other countries. Perhaps this is a task for the new federal Canada Council on Learning or a new Premier's Council?
- It is time for a new Canada-BC labour market or training agreement that recognizes the economic and social importance of the contributions of both senior levels of government in this policy arena.

These kinds of forward-looking policy initiatives in BC's skills training sector, combined with success factors already in place, will produce a win-win for BC's communities, industries, youth and workers in our 2010 economy. To sit back and watch, or worse yet, to fight and bicker and take a negative approach will not serve BC's interest. We need 20/20 vision for a 2010 plan! ✖

## BC's 2010 Labour Market – Job Openings & Person Years to 2015



## BC NEEDS AN INDUSTRY TRAINING TAX CREDIT INCENTIVE

A recent Statistics Canada study tracking 14 countries between 1960 and 1995 found that human capital developed through education and skills training is three times as important to economic growth as is investment in physical capital.

In a study of more than 3,000 U.S. workplaces, the National Center on the Educational Quality of the Workforce found that on average, a 10 percent increase in workforce training level led to an 8.6 percent gain in total productivity. However, a 10 percent increase in the value of equipment increased product by only 3.4 percent.

Yet, as recently noted by the Conference Board of Canada, many Canadian companies continue to under-invest in employee education and training, even though it is a key driver for business productivity growth and innovation. Several business organizations, including the Conference Board, have called for new models for financing employee training.

While there are other barriers to employers hiring apprentices (e.g., inflexible programs, out-of-date standards, collective agreements, etc.), the costs associated with training, lost production and turnover related to apprenticeship is seen as a big disincentive by employers to participating in industry training.

One of the most popular new public policy options promoted by several industry sectors and many small and medium-sized employers is some type of provincial and/or national employer tax credit scheme for those companies that invest in formal employee training, including industry training. This has been advocated by groups such as the BC Chamber of Commerce, Canadian Manufacturers & Exporters, Canadian Federation of Independent Business, the Vancouver Board of Trade, Canadian Home Builders' Association of BC and other sector organizations.

Training tax credit programs exist in Quebec, several U.S. states, some small Euro-



pean countries, and Brazil and Chile. An extensive analysis of training tax credits completed for the Ontario government concludes a training tax credit program could generate economic benefits that are 200-400% of the costs of such as scheme.

This analysis found training tax credits to compare favourably with other training funding options in terms of responsiveness to industry, administrative efficiency and control over program size. A recent OECD Employment Outlook indicates training tax incentives can be effective if they are targeted and focus on direct training costs.

Training tax credit programs vary by company eligibility, type of training that is eligible, types of expenses that qualify, training provider eligibility, and employee eligibility. Important principles are ensuring the training tax credit is simple to administer, encourages small business participation, and obtains input from industry during design and implementation.

Costs estimates of a training tax credit program range from \$450 million for a national program to approximately \$25 million for a BC program.

A training tax credit should cover only training leading to increased productivity, direct training costs, formal training, all industries or those experiencing shortages may receive a higher credit rate, and a involve a refundable credit. The training tax credit could

be outcomes-based and be tied to completion of training or obtaining a credential.

Ontario's new Apprenticeship Training Tax Credit is very simple and narrowly targeted; and it is tied to a maximum percentage of apprentice wages in certain industries up to a maximum amount over three years. If a training tax credit program is not deemed desirable, governments should consider other training investment incentive options for financing workforce training.

A BC training tax credit program could be a popular, efficient and effective mechanism that—in combination with other reforms—could increase employer participation in industry training. ✕

## CANADIAN TRAINING SYSTEMS DON'T MEASURE UP TO INTERNATIONAL BENCHMARKS

There has been a lot of talk lately about the need for Canadian companies to increase innovation and productivity to ensure economic prosperity.

A key factor in supporting international competitiveness is having a highly skilled workforce and an effective industrial training and qualifications system. Efforts are being made by provinces like BC and Ontario to change this, but relentless attention and commitment to real reform by governments and industries is essential.

Canada's industry training stacks up poorly against many industrialized countries. For example, with a population about 40% the size of ours, Australia has an apprenticeship training volume three times as high as Canada's.

A review of industry training systems in several other jurisdictions found that, with the exception of Alberta, Canadian industry training systems fall well short of the training participation rates among other industrialized countries. The chart below, based on available labour force and training statistics of the last few years, demonstrates this.

While there are interesting trends and models in continental European countries (e.g. Austria, Germany and Switzerland in particular), the cultures and traditions in these “dual” systems are so strongly embedded in the institutional context and framework of those countries that it is difficult to transplant more than specific program elements. However, of greater relevance are jurisdictions which have newer systems and undergone recent changes such as Ireland and New Zealand which are similar in population size to BC, and Australia which is similar in size to Canada.

A review of Australia and New Zealand—among other countries—show higher apprenticeship participation rates, higher completion rates and more credentials issued, more youth participation, a broader range of sectors and occupations, greater industry involvement, and qualitative advantages over Canadian industry training.

Most successful industry training systems in the world have been introducing reforms as part of broader economic competitiveness strategies. Some common successful apprenticeship reforms in other countries are:

- More industry driven/led involvement and ownership
- Modularized training programs and curricula
- Competency-based assessment and training instead of traditional time-based evaluation of learning
- Apprenticeships in new, emerging industries and occupations
- New apprenticeship models that are more inclusive and flexible, facilitating access to disadvantaged labour force groups and small businesses
- Increased efforts to start apprenticeships in high school
- Flexible delivery of training to minimize time away from work and home
- National vocational standards frameworks which integrate vocational and higher education qualifications
- Performance-based financial incentives for employers
- More community and industry-based third party delivery of industry training services

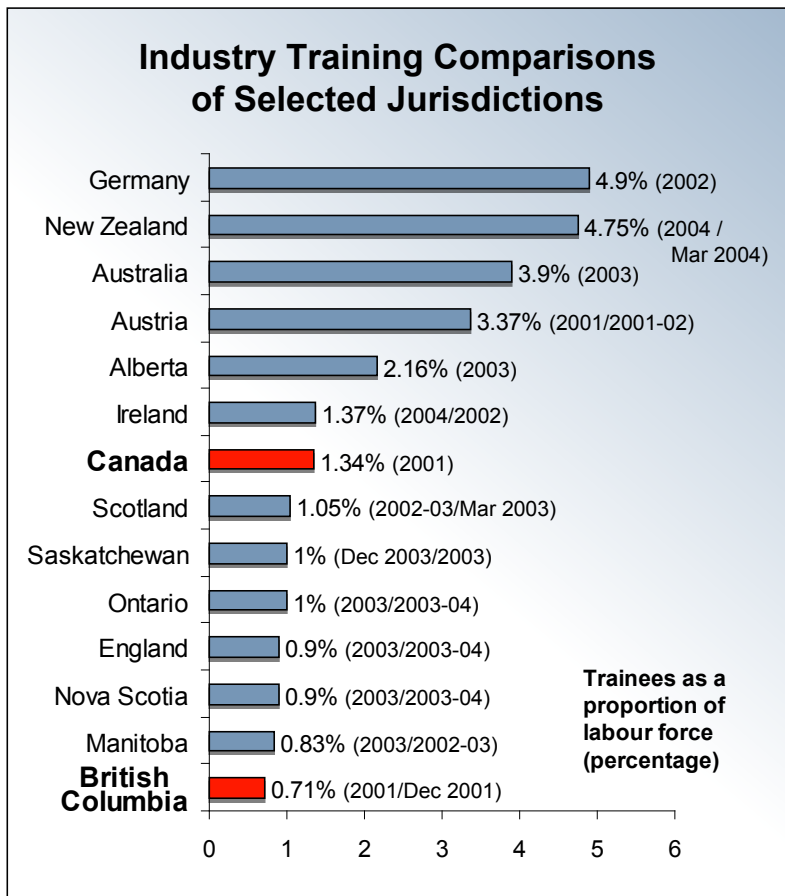
The good news is that while industry training in BC and the rest of Canada is below these international standards, strong indus-

try involvement, more flexible training programs, new programs for emerging industries and occupations, competency-based training are part of the strategic direction of the BC government and of the mandate of the new BC Industry Training Authority.

We need a government and a change agent that have the foresight and fortitude to make real change in our trades training system. We need industries and employers to step up to the plate – the quid pro quo of a new training model is that with more flexible, relevant and accessible training, employers and employees will more fully participate in training and credentialing.

Success in BC will be contingent on how effective it is in pursuing a “two-track” approach to increasing the quantity and quality of industry training in BC:

- 1) Improving existing apprenticeship training programs for industries that need traditional trades skills;
- 2) Increasing training in industries currently not being served by traditional programs.



Many successful jurisdictions (e.g. Australia, New Zealand) openly and proudly pursue this approach through a combination of traditional apprenticeships and “new” or “modern” apprenticeships or traineeships. Even Ontario reflects this through its two pieces of trades training legislation.

Reviewing selected Canadian and international jurisdictions shows Canadian apprenticeship systems lag far behind those in many other countries in terms of expanding beyond the traditional model and narrow group of sectors and occupations traditionally served by apprenticeship. BC can learn from Alberta in terms of how to update and expand industry training in those trades and industries that constitute ITA’s “traditional” track. From other countries, ITA can learn from and apply innovations related to the “new” track.

BC and the ITA are well-positioned to turn around BC’s industry training system to reach the long term goal of a world-class training model and, more importantly, a highly skilled and adaptable workforce. ✕

## HCS ON BILL GOOD SHOW

**On August 12, 2004, Kerry Jothen, CEO of HCS joined David Baxter of the Urban Futures Institute on CKNW's Bill Good Show to discuss "2010 employment and construction boom." Here are a few excerpts.**

**Bill Good:** So, Kerry Jothen, are the workers there, is the talent available, do we have the skills to be able to do the work that's so clearly required?

**Kerry Jothen:** We do if certain pre-emptive action is taken. For example, in all of Canada, immigrants, aboriginal people, persons with disabilities and women represent 10 million or 60 per cent of the workforce. If construction contractors and other employers better tap that talent pool it will release a tremendous amount of under-utilized, skills and then human resources.

...one of the positive things I see is that industries are starting to put things into place. If you look at construction, the highest skill shortage areas are framing, forming, drywall, rebar and building envelope and in each one of those areas, industry organizations are building new programs.

The other critical factor that David mentioned, coming back to the pre-emptive part, is we need an organization like the new Industry Training Authority that provides leadership to tie these things together. David talked about residential construction perhaps not being as hot after a few years while the non-residential people could be hot; we need people with skills that can move across both and the Industry Training Authority is trying to build a new apprenticeship approach where people can move around more in these new programs that industries are building.

**Bill Good:** Kerry Jothen, it would seem like a win-win situation if it's managed properly, I mean, David touched on it, but you can get, you know, the private sector is going to be driving a lot of it, but that doesn't mean it's non-union or the unions will have a huge role to play. Aboriginal downtown eastside, you know, people who may have felt little help can at least look at something or you can look at it with them and say 'Look, here is an opportunity. Get prepared for it.

**Kerry Jothen:** Yes, exactly. And I know that previously the bid corporation announced VANOC has done a lot of work with downtown east side, and that community has and the local business community there, so I think there will be

some real opportunities and benefits for employment for people in that community among others, but the other thing is I think that, uh, the Olympic Committee has hired a top notch construction executive, Steve Matheson. It will be vital to plan and schedule the procurement and execution of these projects over time and I think he's well positioned to do that.

**Bill Good:** We're going to be talking to John Furlong, is there any doubt that we have and can create, uh, those facilities for the Olympics two years before the game. He's talking about getting everything done by 2008.

**Kerry Jothen:** Well, I think good planning and scheduling and it's a project to roll out, not just the 2010 one, but coordinating with governments and others on the projects that they're funding. Two quick things I'd like John to think about, one is around procurement for these construction projects they have. The bid has economic, social and environmental sustainability goals and they'll be looking at those when they evaluate the construction proposals. Why not throw skills into that and its contractors include in their bid a commitment around training programs and skills; that's one more feather in their cap when they're being evaluated. ✕

### VANCOUVER ABORIGINAL HUMAN RESOURCE DEVELOPMENT AGREEMENT (AHRDA) HOLDERS UNITE TO RESPOND TO CONSTRUCTION INDUSTRY LABOUR SUPPLY DEMANDS

The First Nations Employment Society, Access urban Aboriginal Employment Society and the Metis Provincial Council have ratified a working accord to reduce overlap in services to Aboriginal people and develop a single window approach to the Aboriginal labour supply in the Lower Mainland.

The three organizations are working on the establishment of a unified data base project, the first of its kind in Canada, that will provide for the inclusive participation of the entire aboriginal community.

The data base (ARO-Suite) was developed by HRSD Canada with the support and assistance of various AHRDA stakeholders across Canada. Pilots were established in Campbell River and downtown Vancouver at the Vancouver Aboriginal Friendship Centre. The new agreement will extend the data base to three major aboriginal employment services agencies.

While working to reduce overlap and duplication of services, the major Aboriginal employment services agencies in the Lower Mainland are preparing to work with Industry to meet the labour demand over the next few years. The development of a integrated data base is part of a larger Vancouver Aboriginal Skills and Employment Partnership project that will bring together the BC construction industry and the Aboriginal community to design, develop and deliver construction careers pro-

gramming. The VASEP model will first be utilized on major projects in Tsawwassen and Downtown Vancouver with the potential to extend to other major construction projects around the Lower Mainland. A Construction Career Model is now being developed with government, industry and Aboriginal community representatives at the table. This model could provide part of the solution to potential skills shortages in the Lower Mainland while ensuring Aboriginal people have access to training and long term employment.

For more information on the partnership contact:

**Linden Pinay**  
2141-1979 Marine Drive  
North Vancouver, BC V7P 3G2  
Tel: 604-990-9164  
E-mail: pinay@shaw.ca

## HOME BUILDERS LAUNCH SUCCESSFUL TRAINING MODEL

Approximately 18 months ago, the Canadian Home Builders' Association of BC obtained funding from the Ministry of Advanced Education to develop and deliver a Framing Technician Pilot Program in response to a skill shortage of framers throughout the province.

After developing a new modularized, competency-based training model to equip individuals with core competencies and framing skills, the pilot initially involved two pilot delivery sites at the high school level. However, three First Nations bands approached CHBA-BC and four additional First Nation Framing Technician pilot sites were established. The First Nations Framing Technician pilots involve three Musqueam, Squamish, and Lil'wat Nations. The First Nations Bands contributed funding for these additional pilots programs.

In total, 76 trainees have enrolled and of those available, 71 have completed the first (of three) technical training levels of the Framing Technician Program. All the trainees have entered the first workplace phase, some trainees ahead of others. All pilot sites are currently still in the pilot delivery stage.

In response to a CHBA-BC submission, in May 2004 the Industry Training Authority approved Residential Construction Framing Technician as its first new training program and credential.

CHBA-BC wishes to recognize the contribution of all the partners that have assisted in launching this very important program for the residential construction industry in BC and addressing the skills shortage in this industry. They are:

- Local Home Builder Associations in Vancouver, the Fraser Valley and Whistler;
- The Vancouver School Board;
- The Abbotsford Career Technical Centre;
- The University College of the Fraser Valley;

## New Training Model

Home Builder Owner, Executive, Manager (e.g. CRB)			
Home Builder Technical, Administrative, Sales			
Existing Construction Apprenticeships (e.g. Carpentry)			
NEW INDUSTRY TRAINING MODELS			
HB Forming Technician	HB Framing Technician	HB Interior Finishing Technician	HB Exterior Finishing Technician
HB Specialty Skill Sets (e.g. Cabinets, Doors, Flooring, Siding, Windows, etc.)			
Core Home Building Entry Skills			

- Special recognition goes to the First Nations of Squamish, Musqueam and Lil'wat who have worked extremely hard to launch this program in their communities;
- Tradeworks Training Society.

The lessons learned from these pilots will be invaluable to expanding this program across the province. CHBA-BC will be receiving proposals from training providers (both public and private) to deliver this program. The CHBA-BC and the ITA in conjunction with other construction associations and organizations such as the Independent Contractors and Businesses Association and James Hardie Ltd. will start the process of approval by the ITA for other training credentials, such as Forming, Interior Finishing and Exterior Finishing. CHBA-BC will also develop a marketing and communications plan to raise awareness of the new its new training model and new Technician credentials throughout BC.

"This is a very exciting time for our industry", states MJ Whitmarsh, Chief Executive Officer of CHBA BC. This program directly addresses the province-wide skills shortage in our industry. This is a top priority of CHBA BC for its members and the industry in general. The vision is to develop sustainable skills training in our province that meets all the needs of the construction industry today." ✕

## OFFSHORE OIL AND GAS DEVELOPMENT COULD MEAN SIGNIFICANT EMPLOYMENT GROWTH

Human Capital Strategies recently completed a preliminary analysis of human resource requirements and issues associated with potential offshore oil and gas development. HCS partnered with Roslyn Kunin & Associates, Inc. and the resulting report is expected to be released shortly. The study represents a first step towards the eventual development of a human resources plan in the event that scientifically sound and environmentally responsible offshore oil and gas development is initiated in BC.

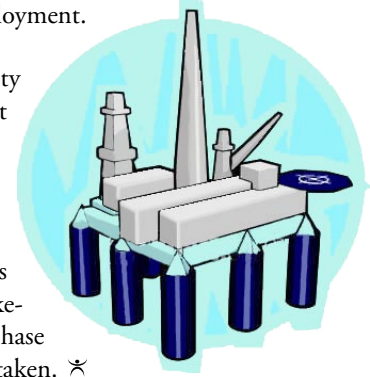
The HCS study concludes that if the moratorium on BC offshore oil and gas development is lifted, significant incremental employment growth could be generated. If the current growth in onshore oil and gas activity continues, combined with Northern, East Coast and global offshore demand pressures on the supply of skilled labour for any future offshore oil and gas development in BC will be significant.

For example, HCS estimates that total person-years of employment generated as a result of one offshore oil and gas fixed-platform alone—based on East Coast experiences—

could result in over 15,000 person-years of employment. This is larger than BC's present oil and gas employment.

HCS found that a key factor in the development of offshore oil and gas is the local community role. Local communities see the oil and gas industry as a way to diversify their economy, but offshore development should be seen as only a part of an area's economic development strategy.

The HCS report provides thirty-one human resources-related recommendations within eight broad categories of activities. These reflect an immediate priority for further research, labour demand and supply modeling, and human resource planning. The recommendations call for collaborative planning among government, industry, community and education stakeholders, leading to decisions on how far in advance of each anticipated offshore oil and gas phase that training, information, labour adjustment, and other human resource actions should be taken. ✕



## KUDOS...

- In particular, the Canadian Home Builders' Association of BC's Residential Construction Framing Technician (recently approved by the Industry Training Authority) and the Independent Contractors and Businesses Association's Construction Formwork Technician (recently approved in principal by the ITA) are the wave of the future. For example, 71 or over 90% of the trainees in the CHBA-BC Framing pilot projects have been placed in their first employment periods.
- To BC's construction industry and its many associations exerting leadership on the recruitment, training and retention of skilled workers. Groups like CHBA-BC, ICBA, the BC Construction Association, the BC Wall and Ceiling Association and others are all spear-heading new education and training initiatives.
- To Skills Canada BC for its tireless work on promoting trades and technology careers to thousands of young people throughout the province.
- To the BC Chamber of Commerce for continuing to make skills and training a priority issue corporately and among its local chamber members.
- To the BC government and the ITA for expanding industry training at the high school level through the new ACE IT initiative and Secondary School Apprenticeship. ✕

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