Regional Industry & Skilled Immigrants

Executive Summary

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This Summary Report was compiled for WWTAB by
Todd Gordon Consulting and Research

1 INTRODUCTION

The following is a summary of the key findings of the special focus report, BUSINESS OUTLOOK 2004- *Focus:Regional Industry and Skilled Immigrants*, written by Alex Murray of the Wilfred Laurier University School of Business and Economics (December 2003).[1]

2 BACKGROUND AND METHODOLOGY:

The Business Outlook research and report series has been conducted by the WLU School of Business and Economics for a number of years. For the 2004 outlook research, The Waterloo-Wellington Training and Adjustment Board (WWTAB) contracted with the school to include some specific questions on skills and training, including information related to hiring skilled immigrants. This summary captures some of the key skill and training findings from the survey and presents a brief discussion of their implications for the local labour market.

The Business Outlook 2004 survey, conducted during November 2003, solicited information on business perspectives and issues of concern from a total of 191 businesses across the Regional Municipality of Waterloo and the County of Wellington. The surveyed businesses included those from all size categories (small, medium, and large) and collectively they employ more than 40,000 workers.

3 FINDINGS

The following section contains results and analysis for key skills and training survey questions from the Business Outlook 2004 survey.

Question #1: Local Business Outlook on the Rate of Unemployment

In general, for this region, what do you think the unemployment situation will be over the next year? Do you feel that we will have less unemployment, the same, or more unemployment than now? (Circle one)
Less Unemployment *Same* *More Unemployment*

The results of this question were subdivided by location. Overall, a small majority of respondents expect unemployment to remain more or less the same for 2004. Businesses in outlying areas appear to be the most pessimistic about unemployment, with 50% expecting the rate to increase in 2004, while Cambridge and Guelph respondents were the most likely to indicate that they expect the unemployment rate to decrease.

Table 1: Local Business Outlook on Unemployment (By Location)

Unemployment Outlook	By Location (%)					Total
	Kitchener	Waterloo	Cambridge	Guelph	Outlying	
Less	26.7	17.1	20.5	26.7	7.1	21.7
Same	50.0	61.0	69.2	53.3	42.9	56.5
More	21.7	22.0	10.3	20.0	50.0	21.2
No Answer	1.7	0.0	0.0	0.0	0.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] Focus: Regional Industry & Skilled Immigrants - A Special Report on Regional Companies. A report that encompasses business outlook information for 2004, covering businesses in Canada's Technology Triangle (Kitchener, Waterloo, Cambridge), as well as Guelph and surrounding area. Written for the Waterloo-Wellington Training and Adjustment Board by J. Alex Murray, PhD. Wilfred Laurier School of Business and Economics. Dec 2003. The full report is available from the WWTAB website www.wwtab.com

Question #7: Negative Factors Affecting Company Performance

Which of the following, if any, do you expect to have a negative effect on YOUR company's performance over the next year? (Circle all that apply)

Weak market demand
Limited plant capacity
Lack of skilled labour
Labour disputes
Domestic competition
Shortage of financing
Foreign competition
Fed Taxes
NAFTA
Interest rate concerns
Unstable Canadian dollar
Federal Policies
Provincial Policies
Municipal Policies
U.S.A. trade restrictions
Increased border surveillance
The Quebec issue
None
*Other*_______________

Table 2 compares the 2004 Outlook results for this question with those for 2003with results for the same question from one year earlier. Although there were many important factors chosen by respondents, the key finding from the perspective of labour force skills is the significant decline in the proportion of respondents who chose “lack of skilled labour” as a negative performance factor. However, short-term concern for the availability of skilled labour tends to reflect recent economic conditions and production activity. With the economy slowing somewhat during 2003, and various other critical issues occupying the minds of business leaders, it is not surprising that the skills issue has declined somewhat in importance for this survey.

Table 2: Factors Affecting Business Performance

Factors Affecting Performance	2004 (%)	2003 (%)
Unstable Canadian Dollar	57.1	21.7
Weak Market Demand	34.5	43.4
Foreign Competition	32.8	27.7
Provincial Policies	23.7	16.3
Lack of Skilled Labour	20.9	27.1
Domestic Competition	18.1	23.5
Federal Policies	14.1	16.3
U.S. Trade Restrictions	11.9	12.0
U.S. Border Surveillance**	10.7	13.3
Limited Plant Capacity	9.6	9.6
Interest Rates Concerns	9.6	14.5
Federal taxes (GST, etc.)	9.6	9.0
Shortage of Financing	6.8	9.6
Municipal Policies	5.1	9.0
NAFTA	3.4	4.2
Labour Disputes	2.8	4.2
Quebec Issue	0.6	3.0
Other / None	10.2	5.4

The relative importance of "lack of skilled labour" as a performance factor varies significantly by industry, as depicted in Table 3. Collectively, respondents from automotive, manufacturing, and construction businesses made up more than 50% of those who chose skilled labour as a significant concern for business performance. These are business sectors where skilled trades are particularly important to overall business activity.

Table 3: Skilled Labour as a Performance Factor - Breakdown by Business Sector

Industry	Response (%)
Auto Components and Parts Manufacturing	10.0
Textile & Garment Manufacturers	7.5
Hi-Tech/Software	5.0
General Manufacturing	15.0
Consumer Products	7.5
Construction	27.5
Food/Beverage	12.5
Financial/Insurance/Banking	5.0
Consulting Services	2.5
Services Personal/Media	7.5
Total Response	100.0

Question #8: Competitive Advantage

What do you see as your competitive advantages in the marketplace? (Circle all that apply).
Patented technology
Trained skilled workforce
Canadian dollar advantage
Government Trade Commissioners
Export funding through Export Development Canada
Attendance on missions & trade shows
Our location to markets & suppliers
Strategic partnerships with offshore firms
Free trade arrangements (FTA, NAFTA)
Other ___________________

While the relative importance of the availability of skilled labour as a performance issue has decreased since the 2003 survey, Table 4 illustrates that having a skilled workforce continues to be viewed as a *major strategic advantage* for more than half of the regional businesses surveyed.

Table 4: Competitive Advantages from the Perspective of Regional Businesses

Competitive Advantages	Percentage of Firms
Company's Skilled Workforce	**51.8**
Regional Location	37.7
Canadian $ Advantage	20.8
Product and or Service Patented Technology	22.5
Free Trade Arrangements (NAFTA - FTA)	5.8
Strategic partnerships	8.4
Missions & Trade Shows	5.8
EDC Export Funding	1.6
Government Trade Commission	1.0
Other	5.7

Question #9: Recruitment Methods for Finding Skilled Workers

Where have you been able to attract trained skilled workers? Please circle
- *Colleges or universities*
- *Hired Immigrants with skills*
- *Newspaper ads*
- *Head-hunters*
- *Employees of other companies*
- *Training is done by our company*
- *Mentoring*
- *Government training programs*
- *Union guild training*
- *Other* _________________________

The response to this question is evidence of how important in-house training is to the businesses surveyed, with more than half indicating this is a method employed by them to increase the overall skills of their workforce. Table 5 indicates that more than 25% of businesses view hiring skilled immigrants as a significant method of acquiring skills for their companies, and almost one-third indicated that they hire skilled workers directly from post-secondary institutions.

The relative proportions of two of the other choices listed in Table 5 are also interesting. Acquiring "employees from other firms" was a response chosen by nearly 28% of respondents, which suggests a relatively high rate of labour mobility within the local labour market. Meanwhile, less than 4% of respondents consider "government training programs" to be a significant means of acquiring skilled workers. While more advanced analysis of this response would require more information, this finding suggests that current government training programs are contributing little to improving the availability of skills in the local labour market.

Table 5: Methods and Sources of Acquiring Skilled Workers

Method of Acquiring Skilled Workers	Percentage (%)
Colleges or Universities	32.1
Hired immigrants with skills	25.7
Newspaper ads	28.3
Head hunters	19.8
Employees from other firms	27.8
Training in-house	56.7
Mentoring	11.2
Gov. training programs	3.2
Union guild training	1.1
Other methods	6.4

The responses for "in-house training" were broken down further to reveal the relative importance of this method by industrial sector. These results are depicted in Table 6, and they suggest that in-house training is particularly important to the construction industry, and to a lesser extent, in both the auto-related and general manufacturing sectors.

Table 6: Responses for In-House Training by Industry

Industry	% of Total Response
Auto Components and Parts Manufacturing	13.1
Textile & Garment Manufacturers	6.5
Hi-Tech/Software	1.9
General Manufacturing	18.7
Consumer Products	4.7
Construction	24.3
Food/Beverage	11.2
Chemical/Pharmaceuticals	3.7
Financial/Insurance/Banking	6.5
Consulting Services	2.8
Services Personal/Media	6.5
Total	100.0

Questions #10 & 11: Exploring Attitudes and Perceptions Regarding Skilled Immigrants

 # 10. What prevents you from using more skilled immigrant employees? (Circle all that apply)
Capacity
Legal problems e.g., visa
Language barrier
Manufacturing knowledge
Accreditation barriers
Re-training costs
None apply for jobs
Other ___________________________

Table 7: Barriers to Hiring Skilled Immigrants

Barrier	Response (%)
Capacity	16.2
Legal issues - visa	5.2
Language barrier	34.6
Manufacturing knowledge	10.5
Accreditation barriers	7.3
Re-training costs	12.6
None apply for jobs	14.1
Other	15.7

 # 11. What would make it easier for you to use the skills of immigrants? (Circle all that apply)
Understanding of educational equivalence
Increased English language proficiency
Access to immigrant pool
Streamline accreditation process
Positive experiences
Other ______________________________

Table 8: Factors That Would Make it Easier to Hire Skilled Immigrants

Factor	Response (%)
Understanding educational equivalence	9.9
Increased English language proficiency	52.9
Access to immigrant pool	17.3
Streamline accreditation process	9.9
Positive experiences	15.7
Other or None *****	10.5

The results for questions 10 and 11 are shown in Tables 7 and 8 and reveal a number of things regarding skilled immigrants and hiring in regional businesses. Many businesses are continuing to experience language barriers when hiring skilled immigrants (or perceive that this is a significant issue). Understandably, improving English language proficiency was identified as a major step in improving the situation. Streamlining the accreditation process was chosen by nearly 10% of the respondents as an improvement that would make it easier to hire skilled immigrants. Interestingly, more than 15% of respondents indicated that positive experiences (either their own or knowledge of those in other companies) would assist them in hiring more from this labour market group.

4 IMPLICATIONS FOR TRAINING AND LABOUR FORCE SKILLS DEVELOPMENT

The results of the skills and training related questions from the Business Outlook 2004 survey hold implications for training and labour force development in the training board area. These implications include the following:

- Business owners and executives remain cautious about the company year from an employment perspective, as reflected in their collective view that the rate of unemployment is likely to remain more or less constant.

- Although the relative concern regarding the lack of skilled labour in the area is down from the past few years, this concern remains significant, and the relative decline in importance is the result of shorter-term issues and events that are currently preoccupying businesses, including international trade concerns and the relatively high value of the Canadian dollar. These preoccupations are partially masking the reality that the availability of highly skilled workers remains an important long-term issue in the area. One would expect this factor to increase in importance as economic activity increases. For some sectors the importance of the concern regarding the lack of skilled remains high even in an environment characterized by other uncertainties.

- Skilled immigrants are an extremely important component of the local labour force, and it is evident from survey response that local businesses recognize this. However, the results also indicate that there continue to be significant obstacles to hiring skilled immigrants. These findings echo other recent research and commentary that suggests that immigrant skills are an important local labour force resource, and that in general, this resource is not utilized effectively to improve economic activity and business performance locally. The reasons are complex, and involve both real and perceived obstacles to greater hiring of skilled immigrants. While many organizations and individuals have been working hard to address these obstacles and, just as importantly, improving communication regarding issues and opportunities, there appears to be a need for even greater effort. As the local population ages, harnessing immigrant skills is vital to economic success in the area. This reality will be amplified if and when there is an increased demand for local products and services.