STRENGTH IN NUMBERS
Targeting labour force participation to improve prosperity in Ontario
Ontario’s Panel on Economic Growth & Prosperity is an arm’s-length, independent body that reports directly to the public. Its purpose is to measure and monitor Ontario’s productivity, competitiveness and economic progress, reporting its findings on a regular basis.

The Panel is the advisory body to the Institute for Competitiveness & Prosperity. The Institute is an independent not-for-profit organization that deepens public understanding of macro and microeconomic factors behind Ontario’s economic progress. Research by the Institute is intended to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity. It is the aspiration of the Institute to have a significant influence in increasing Ontario and Canada’s competitiveness, productivity, and capacity for innovation. We believe this will help ensure continued success in creating good jobs, increasing prosperity, and building a higher quality of life. We seek breakthrough findings from our research and propose significant innovations in public policy to stimulate businesses, governments, and educational institutions to take action.

Comments on this report are welcome and should be directed to the Institute for Competitiveness & Prosperity. The Panel and the Institute are funded by the Government of Ontario through the Ministry of Economic Development and Growth. The views expressed in this report are the views of the Institute and do not necessarily represent those of the Government of Ontario.

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<td>EXHIBIT 11</td>
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<td>EXHIBIT 12</td>
<td>Participation rate controlling for age demographics, Ontario, 1990-2016</td>
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<td>EXHIBIT 13</td>
<td>Indigenous labour force participation by identity, Ontario, 2011</td>
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<td>EXHIBIT 14</td>
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Converting labour force participation from respectable to stellar

ON BEHALF OF ONTARIO’S PANEL ON ECONOMIC GROWTH & PROSPERITY, I am pleased to present our Sixteenth Annual Report on Ontario to the public.

This year, the Panel worked with the Institute to focus on a people theme as people are our most valuable resource. We began by examining the economic contribution of immigrants to Ontario and how the province could leverage immigration policy more effectively to strengthen growth and improve the economic outcomes of immigrants in Ontario. Next, we examined the suite of Employment Ontario programs that trained individuals into new careers. With new technologies impacting the jobs and in demand skills of Ontarians, both governments and businesses need to consider how to provide training to upskill and re-skill workers to transition to the jobs of the future.

Finally, working with the Boston Consulting Group’s Kilian Berz, and his colleagues at BCG, we asked over 30 Ontario executives about their views on the future of the province. They identified Ontario’s talented and diverse workforce as the province’s biggest source of competitive advantage and offered big ideas on how to build on this advantage.

This year, we once again calculated Ontario’s prosperity gap by comparing Ontario’s Gross Domestic Product per capita to the median of its peer jurisdictions. And once again, Ontario lags jurisdictions that have a similar industrial structure and level of development. The current prosperity gap is $5,600 per person.

Once again the principal source of this prosperity gap is weak productivity. The demographics of Ontario’s population is actually an advantage relative to its peers, while labour force participation, employment, and work intensity are all close to the peer median.

But supposing Ontario could build on its labour advantage. How much of Ontario’s prosperity gap could be closed?
To try and answer this question, this Annual Report examines the participation rate of four important demographic groups that all have participation rates that are well below those of prime age workers: youth, women, older workers, and Indigenous Peoples. We focus on these four groups recognizing that there are many other groups that may also face barriers.

The analysis suggests that if the participation rate in these four groups matched the aspirational targets found in the Report, the aggregate participation rate would rise from 79.1 to 84.4 percent in Ontario, closing 69.2 percent of Ontario’s prosperity gap. More realistically, if Ontario could even close half of each group’s gap, this would still raise the participation rate in Ontario to 81.7 percent, and eliminate 34.6 percent of the prosperity gap.

So how can we achieve this? This Annual Report recommends targeted policies designed to reduce the labour market impediments facing each group and strengthen their labour market attachment. These efforts range from easier to implement, such as continuing the many programs that the Ontario government is already doing, to ones that require inter-governmental co-operation, particularly as it relates to Indigenous Peoples.

This year, we also present 5 priorities for government, recognizing that strong labour market attachment and outcomes require the efforts and cooperation of businesses, government, and individuals alike. We must all work together. The Panel believes that, when done right, policies that improve the labour force participation of these groups will benefit Ontario as a whole, making us stronger.

The Panel thanks all of the experts within and outside of the Ontario government consulted in this Annual Report. We gratefully acknowledge the research support of the Institute for Competitiveness & Prosperity and the funding support from the Ministry of Economic Development and Growth. We look forward to sharing and discussing our work and welcome your comments and suggestions.
This year, Ontario’s Panel on Economic Growth & Prosperity shifts its focus from closing the productivity gap to leveraging Ontario’s potential participation rate to close the prosperity gap:

**Ontario’s prosperity gap, 2016**

- **Ontario’s GDP per capita**: $62,400
- **Peer median GDP per capita**: $56,800
- **Work effort advantage**: $2,000
- **Productivity gap**: -$7,600

**Prosperity Gap**

$5,600 or 9.0% of median GDP per capita

This Annual Report focuses on improving the participation rates and labour market outcomes of four groups in Ontario:

- **Youth**
  Ages 15-29
  Non-students

- **Women**
  Ages 15-64

- **Older workers**
  Ages 55+

- **Indigenous Peoples**
  Ages 15-64
STATUS & OPPORTUNITIES FOR EACH GROUP:

<table>
<thead>
<tr>
<th>Group</th>
<th>Share of Population 15-64</th>
<th>Participation Rate</th>
<th>Unemployment Rate</th>
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<tr>
<td>Women</td>
<td>18.1%</td>
<td>85.6%</td>
<td>8.9%</td>
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<td>Experiential learning opportunities</td>
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<td>Employment guidance &amp; support programs</td>
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<td>Programs for NEET youth</td>
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<td>Older Workers</td>
<td>50.6%</td>
<td>73.3%</td>
<td>6.4%</td>
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<td>Affordable child care</td>
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<td>Take-it-or-leave-it parental leave</td>
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<td>Workplace practices that reduce gender stereotypes</td>
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<td>Indigenous Youth</td>
<td>16.2%</td>
<td>66.5%</td>
<td>5.3%</td>
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<td>Flexible work accommodations</td>
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<td>On-the-job training and out-of-work retraining</td>
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<td>Matching and job search programs</td>
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<tr>
<td>Indigenous Adults</td>
<td>19.0%</td>
<td>14.4%</td>
<td>3.3%</td>
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<td>Truth and Reconciliation</td>
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<td>Business development on-reserves</td>
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<td></td>
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<td>Funding for Indigenous lending organizations</td>
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<tr>
<td>Young</td>
<td>2.2%</td>
<td>67.3%</td>
<td>14.3%</td>
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STRENGTH IN NUMBERS: TARGETING LABOUR FORCE PARTICIPATION TO IMPROVE PROSPERITY IN ONTARIO
CHAPTER 1

ANALYZING ONTARIO’S PROSPERITY GAP

The lagging productivity of workers continues to place a drag on Ontario’s prosperity. After 15 years spent examining how to increase productivity as a means to close the prosperity gap, this year, the Panel is shifting its focus toward labour force participation. By improving labour force participation and related factors such as overall employment levels and income, Ontario can shrink its prosperity gap. Only when all segments of Ontario’s population are fully engaged in the economy can greater levels of prosperity be achieved.

This year, Ontario’s Panel on Economic Growth & Prosperity is paying paid specific attention to the talented people who make up Ontario’s economy. Talent is the backbone of the economy and therefore it is important to ensure that the entire population is fully engaged in the economy. Over the past 12 months, the Panel and the Institute for Competitiveness & Prosperity have examined the following policy areas:

- Affordable child care and labour force participation rates for women
- Ontario’s proposed minimum wage and workplace changes
- The employment and wage outcome gaps between immigrants and their Canadian-born peers
- Skills training and retraining in a shifting labour force

In addition to the many benefits that changes to these policies can bring, they can also help, in part, to close the province’s prosperity gap. Ontario’s prosperity, measured as Gross Domestic Product (GDP) per capita, continues to lag behind its peer jurisdictions, and closing this gap has proved elusive. Another key ingredient to Ontario’s prosperity is labour force participation. On this dimension, Ontario has performed respectfully (Exhibit 1). What if Ontario could convert its labour force participation from respectable to stellar? In addition to improving participation, labour market outcomes such as income and employment levels also directly contribute to Ontario’s prosperity. This ultimately means more income for all Ontarians.
EXHIBIT 1  Ontario’s prosperity gap breakdown

GDP per capita, Ontario and peers, 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Ontario</th>
<th>Peer median</th>
<th>Peer leader</th>
<th>Ontario in 2016</th>
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<tr>
<td>Ohio</td>
<td>$68,400</td>
<td>$68,000</td>
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<td>Wisconsin</td>
<td>$68,000</td>
<td>$65,400</td>
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<td>Indiana</td>
<td>$65,400</td>
<td>$65,100</td>
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<td>Netherlands</td>
<td>$62,700</td>
<td>$62,400</td>
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<td>Tennessee</td>
<td>$62,400</td>
<td>$62,300</td>
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<td>Sweden</td>
<td>$61,500</td>
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<td>$56,800</td>
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<td>Michigan</td>
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<td>British Columbia</td>
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ONTARIO’S PROSPERITY LAGS BEHIND ITS PEER JURISDICTIONS

The portion of Ontario’s population that is of potential working age has declined as members of the sizable baby boom generation reach retirement age (Exhibit 2). This effect is reinforced by the continued low domestic birthrate. Despite the downward trend in working age, Ontario’s profile is actually the best among all peer jurisdictions, domestic and international. Part of this advantage stems from Ontario’s significant intake of immigrants, who are predominantly of working age.¹


Exhibit 2: Elements of GDP per capita, Ontario and peers, 2001–2016
Before 2008, Ontario had a significant utilization advantage relative to its peers. This advantage shrank in the lead up to the 2008 financial crisis and has remained relatively stable ever since. As of 2016, both the median peer jurisdiction and Ontario have almost recovered their utilization to pre-recession levels. Provincial and international peers exhibit higher utilization rates than Ontario, while US peers lag behind. The only exception is Wisconsin, which outperformed every peer except Sweden.

With the exception of Wisconsin, all US peers have higher average hours worked per week than Ontario. The opposite is true among provincial and international peers where their workers work fewer hours weekly. Part of this could be explained by more part-time work, or in some cases, cultural and societal views on work. Nonetheless, it is better to find innovative ways to produce more per hour worked than simply asking employees to work more hours in order to compete against US peers. In doing so, a region can achieve the same prosperity with more leisure time available for the population.

To achieve this increased level of productivity, though, remains a difficult task, one that the Panel has attempted to correct the past 15 years. Ontario has long lagged behind its peers in productivity, outperforming only Québec in 2016. If this gap could be closed, it would provide by far the largest boost to prosperity across all metrics. Unfortunately, despite persistent efforts, closing the gap has proven difficult. Therefore, the Panel turns its efforts this year to the people of Ontario, leveraging the province’s advantage in age profile to improve the participation rates of four groups.

**In addition to improving participation, labour market outcomes such as income and employment levels also directly contribute to Ontario’s prosperity.**
Ontario has an age profile advantage compared to its peers. However, this advantage does not translate to a higher participation rate or employment outcomes. This presents an opportunity for the province. If Ontario can strengthen the labour market attachment of those who want to pursue employment and remove the barriers to their participation, this would increase the prosperity of Ontarians and close a significant portion of the prosperity gap.

**ONTARIO CAN CLOSE ITS PROSPERITY GAP BY TARGETING THE PARTICIPATION RATE**

The greatest improvement to Ontario’s prosperity will occur when participation rates increase in conjunction with improvements to employment and income. By making sure the greatest number of people are actively engaged in the labour force, Ontario can drive up its GDP per capita despite lower average worker productivity. Since 2003, the labour force participation rate in Ontario for the core working age (ages 25 to 54) population has fallen from a high of 87.1 percent. The situation is even more severe for the overall population (15+ years), which also reached its peak in 2003 at 68.5 percent (Exhibit 3). Neither group has recovered since then.

Additionally, there are multiple groups who currently participate in the labour force to a lower degree than the average population. By strengthening the labour force attachment of these segments Ontario’s prosperity will increase and be more equally shared across society. Four of these groups are examined in this Annual Report by the Panel. They include:

**Youth** have very poor employment outcomes as they struggle to get a foot in the door at their first job. The Panel focused on 15 to 29 year old non-students to capture only those who are not currently enrolled in education or training to prepare for later entry into the labour market. This group should be entering the labour force at a higher rate than observed.

**Women** make up the greatest share of the population of any underperforming demographic group. In Ontario, women make up 51 percent of the 15 to 64 year old population, but a significant portion remain outside the labour market, often due to family or caregiving responsibilities.
**Older workers** over the age of 55 participate in the labour force to a lesser degree than those in leading Organisation for Economic Co-operation and Development (OECD) countries. As a sizable portion of the population approaches retirement age the labour force will become smaller, while the share of people dependent on government services increases. Finding ways to retain older workers in the labour force will slow the adaptation necessary to care for this segment.

**Indigenous Peoples** have drastically lower participation rates and outcomes than their non-Indigenous counterparts. Despite their relatively small population size compared to the other three groups selected, reconciliation and improving Indigenous labour force outcomes is of importance to the Panel.

Targeting the participation rates for youth, women, older workers, and Indigenous Peoples can directly reduce the prosperity gap. The relative size of population, potential economic contributions with improved participation rates, and the size of all gaps in labour force outcomes between the selected group and their comparator group form the criteria for the selection of these four groups.

In addition, aspirational participation rate targets are selected for each group (Exhibit 4). These aspirational comparator groups are selected for their relevance and their best in class nature. Youth and older workers are best compared internationally as their ages make their expected outcomes dissimilar to the primary working age population. Women and Indigenous Peoples share a similar demographic makeup with their Ontario counterparts and it is expected that removing the barriers they face would result in a closing of the gap between themselves and the remaining labour force. The aspirational groups are used to calculate the potential economic gains from removing participation barriers faced by Ontario’s groups.

The Panel finds that, holding all else equal, increasing labour force participation rates for these four groups up to their aspirational targets would increase Ontario’s GDP by $54.0 billion or 6.8 percent. Each of these groups have the potential to reach these levels given dedicated work by the government and business community.
PROBLEM
Ontario youth had lower participation rates and worse labour market outcomes in 2016 than they did a decade-and-a-half ago. They also fare worse than middle-aged Ontarians (ages 30 to 64), even after excluding youth in school. The social and economic impact of low youth labour market participation could be felt for decades to come, influenced everything from home ownership to government finances. Better youth participation and labour market outcomes could boost Ontario’s overall economic performance.

POLICY HIGHLIGHTS
- Experiential learning opportunities
- Employment guidance and support programs
- Programs targeting youth not in employment, education, or training

Labour market statistics, Ontario, 2016

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<td>Percent of population, ages 15-64 (%)</td>
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Holding all else equal, increasing the participation rate of youth in Ontario to the same rate as Quebec’s youth could add up to $3.0 billion to Ontario’s economy. Youth labour market outcomes over the past 15 years were also analyzed in comparison to those of Ontario’s middle-aged population (ages 30 to 64).
YOUTH ARE PARTICIPATING LESS THAN THEY WERE IN 2001 AND ARE INCREASINGLY UNDEREMPLOYED

Compared to middle-aged workers (ages 30 to 64), a significant number of Ontario youth are enrolled in high school and post-secondary education (PSE) (38.4 percent in 2016), partly explaining why a smaller share enter the labour market. This is promising because training and education typically lead to better labour market outcomes and higher productivity. The focus should instead be on non-student youth who are not participating in the labour force, as students are currently investing in their future labour contribution.

Youth struggling in the labour market face a challenging future

Non-student youth participation and wage outcomes have worsened since 2001 (hereafter, youth refers to non-student youth only). Their participation rate declined by 1.9 percentage points between 2001 and 2016, from 87.5 to 85.6 percent, while the participation rate of Ontario’s middle-aged workers increased slightly during the same time. Furthermore, in 2016, youth in the labour force experienced worse outcomes than they did in 2001, relative to middle-aged workers.

These labour market outcomes help explain why an increasing number of Ontario youth are failing to launch into adulthood. Youth face slow wage growth, mounting debts, and a high cost of living. It now takes 15 years of full-time work to save for a down payment on the average Ontario home, compared to five years in 1976. More youth are adapting by living with their parents for longer and delaying starting a family. Since this cohort will form Ontario’s core future tax base, the province will face even worse socioeconomic and fiscal challenges from an aging population if youth continue to struggle in the labour market.

Less educated youth suffer worse labour market outcomes

Post-secondary enrolment in Ontario took off between 2001 and 2015: the number of youth enrolled in higher education programs and apprenticeships grew at more than four times the growth rate of Ontario’s total youth population. This is a promising trend. Since 2001, better-educated youth had higher participation rates and smaller drops in participation (Exhibit 5). Youth with some PSE or less experienced greater declines in participation than youth overall. In particular, the participation rate for youth who had started but did not finish high school declined by 12.9 percentage points.

However, educational attainment does not entirely prevent declining labour market outcomes. In 2016, 15.3 percent of youth with graduate degrees were either unemployed or not in the labour force. More than one in ten bachelor’s degree holders worked part time, up from 6.6 percent in 2001, while the share working full time decreased from 80.9 percent.

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EXHIBIT 5  Labour force participation rate for non-student youth by educational attainment, Ontario, 2001 and 2016

![Labour force participation rate for non-student youth by educational attainment, Ontario, 2001 and 2016](image-url)

to 74.9 percent in 2016. Much of this part-time work is involuntary. In 2016, 50.9 percent of youth working part time wanted but could not find a full-time job, up from 46.0 percent in 2001. Only one-third of middle-aged part-time workers wanted full-time jobs. Moreover, many involuntary part time youth are well educated. In 2016, 56.8 percent had at least a PSE degree, up from 37.1 percent in 2001.

**Youth work worse jobs than before**
Compared to middle-aged workers, youth are more likely to work in low-wage occupations in industries such as retail trade, accommodation, and food services, even when no longer in school. It is more difficult for low-wage workers to save for mortgages, education, and other future expenditures. Moreover, the gap between the median hourly wage for youth and middle-aged workers has grown, with youth earning on average $8.60 less per hour than middle-aged Ontarians in 2016, up from a difference of $7.20 in 2001.9

Youth are also more likely to work part time than they were in 2001. When they do work full time, they are more likely to be in precarious jobs. The share of youth whose main full-time job was seasonal, temporary, contract, casual, or otherwise non-permanent grew from 14.9 percent in 2001 to 19.1 percent in 2016 compared to a much smaller increase from 4.8 to 6.0 percent for middle-aged workers. Part-time and precarious work is destabilizing and may contribute to poor health outcomes.10

**More youth are not in employment, education, or training**
The increase in school attendance did not match the drop in labour force participation for any youth age group between 2001 and 2016 (Exhibit 6). The number of youth not in employment, education, or training (NEET) grew at nearly twice the rate of Ontario’s total youth population between 2001 and 2016.12 There are now over 406,000 NEET youth in Ontario. In most cases NEET status is highly problematic as it implies stagnant human capital.13 This may permanently reduce long-term future employment and earnings potential.14

Many NEET youth are old enough to be finished PSE. Over half are 22 or older, and more than one-fifth are aged 27 to 29. This is in line with the growing share of NEET youth who hold a bachelor’s or graduate degree, which increased to 17.1 percent in 2016 from 10.1 percent in 2001.

Around one-third of NEET youth have never worked, a relatively constant share since 2001. NEET youth who do have work experience have been without a job for longer. The average NEET youth has been jobless for 10 months, and one-quarter for 23 months or more. Of the NEET youth who worked in the past year, an increasing number held only a part-time job.

Precarious work is an important determinant of NEET status. Nearly one-third of NEET youth reported losing their previous job because it was seasonal, casual, or otherwise temporary,
up from around one-fifth in 2001. An increasing number of youth became NEET primarily due to illness or disability, or because they left their previous job to attend school and have not been able to find a job upon re-entering the labour market. In 2016 over one-third were new entrants to the labour market (including many between the ages of 20 and 26 who were previously attending school) or re-entering the labour market after more than a year.

Poor work prospects and high housing costs have led many NEET youth to remain at (or return) home. Over 56 percent of NEET youth live with their parents, up by nearly 10 percentage points since 2001. Moreover, the NEET youth living at home are increasingly older: one-fifth are 25 years or older, up from 14.7 percent in 2001. In particular, the number of NEET youth aged 27 to 29 living at home increased at over twice the growth rate of NEET youth living with parents overall. Living at home may enable youth to not participate in the labour market if they do not have to pay for housing or food. For all of these reasons, NEET youth are a prime target group for policy intervention.

**BARRIERS TO PARTICIPATION FOR YOUTH**

Declining youth labour market participation and poor job quality are the result of several barriers youth face in education, skills development, and finding employment:

- Insufficient career guidance in K-12
- Lack of job-ready skills development in PSE
- Experiential learning can be financially inaccessible
- Difficulty accessing services after leaving school

**Insufficient career guidance in K-12**
The K-12 school system is an effective means of delivering employment-related programs because of the availability of trained professionals already in close contact with young people. In addition to students gaining skills for future education and jobs, career planning and life skills content, such as field trips and visits from professionals, are interspersed throughout the curriculum at all grades.

However, a recent survey of school principals suggests that career planning and development policies are not being fully implemented in Ontario. Schools are required to keep portfolios for all students that track learning and guide transitions and course selection; however, implementation is inconsistent. Only 56 percent of secondary schools ensure all students have portfolios because of technical issues and insufficient administrative guidance to staff. Another cause may be a shortage of guidance counsellors: 16 percent of schools do not have a full-time counsellor, and in one-tenth of schools the ratio of guidance counsellors to students is as high as 1 to 600. This is because only 40 percent of secondary school teachers received the provincially-mandated career and life planning training. Young people who do not receive sufficient career guidance will have greater difficulty learning about the post-secondary and career opportunities available.

**Lack of job-ready skills in PSE**
PSE refers to the broad range of formal educational options for youth after high school, ranging from university to apprenticeships. PSE programs are the best way for youth to gain career-relevant skills because students can specialize after learning fundamental skills in elementary and secondary school. Youth cite career-related motivations as their most important reason for enrolling in PSE. However, even after attending PSE many Ontario youth do not participate in the labour force or find only low-quality jobs.

This challenge encompasses two issues. A skills gap occurs when PSE institutions fail to give students the skills employers look for in entry-level recruits. PSE curricula, especially in research-focused universities, are often infrequently reviewed rendering them inflexible to employer needs. PSE institutions also face cultural and governance barriers to changing educational offerings in line with employer and student demand, such as rigid funding and human resources constraints.

In short, by inadequately preparing students for the labour market, PSE institutions are unable to make the most of students’ time and financial investments in education.

Additionally, there is an “awareness gap” in which youth are unable to articulate their existing job-relevant skills to potential employers. Employers rely on university transcripts, letters of recommendation, and extra-curricular activities to determine the skills possessed by youth. But these indicators may not paint a complete picture. Such documents fail to showcase abilities like critical thinking and resilience. At the same time, because youth have never purposefully developed these skills, they may have difficulty explaining their abilities to potential employers. This can lead to the illusion of a skills gap where one does not exist.

**Experiential learning can be financially inaccessible**
Experiential learning opportunities like co-operative education (co-ops), volunteering, and job fairs are an important way for youth in secondary school and PSE to gain valuable skills and experience while learning about career possibilities. Experiential and work-integrated learning (WIL) are the most common
means for students to gain the work experience and soft skills that most employers require in entry-level recruits.\textsuperscript{22} However, there are barriers to participation in these opportunities.

Some students face financial hurdles. Many college and university students struggle with unpaid WIL placements as well as unexpected costs like travelling to the workplace.\textsuperscript{23} Tuition, which continues to be paid while students engage in a full-time co-op, exacerbates these barriers. Co-op placements are usually for a set duration, even though some youth experience better learning and financial outcomes from long-term exposure to a single employer, while others benefit more from exploring different options through multiple, shorter co-ops.\textsuperscript{24} Social barriers make the pool of co-op students smaller and less diverse. First-generation students are less likely to participate in WIL than students whose parents attended PSE.\textsuperscript{25} Businesses also face barriers to offering experiential learning placement opportunities, especially smaller firms. Although employers can receive up to $3,000 in tax credits per PSE co-op placement, they often struggle with initial steps such as writing job ads and finding funding.\textsuperscript{26}

Difficulty accessing services after leaving school
Students have access to extensive career guidance while in school, such as the career services offices at most PSE institutions.\textsuperscript{27} Some other employment guidance and support services are available to all Ontario youth. For example, Youth Job Link provides free information, CV assistance, and job matching, as well as helping youth without adequate social support find a job. However, youth are typically directed to these programs by institutions they are already engaged with, such as educational institutions and community centres. Youth who did not attend PSE or are already on the job market are less likely to be directed to available services.

More attention needs to be paid to these youth who may fall through the cracks. They may have little knowledge of what employment services are available, let alone where to start looking. They require help navigating the system as well as access to individuals who can provide personal support and mentorship.\textsuperscript{28} Services should be easily accessible for NEET youth. One model is a youth employment concierge that serves as a one-stop shop for youth, employers, and non-profits seeking to connect with youth employment support programs.\textsuperscript{29} In some jurisdictions, receipt of social assistance is contingent on participation in employment programs targeted specifically at NEET youth. These programs aim to help youth obtain a job offer, participate in an apprenticeship, or learn through job training or returning to formal education. (See Success targeting NEET youth in Sweden).

Success targeting NEET youth in Sweden
Sweden has one of the highest non-student participation rates and the lowest rates of NEET youth among OECD countries, especially for youth over age 25.\textsuperscript{30} One reason is that enrolling in PSE is an inexpensive alternative for NEET youth because there are no PSE tuition fees in Sweden – in fact, students receive income-tested, monthly stipends during the school year, including for co-op terms.\textsuperscript{31}

Employment programs are targeted to the most at-risk youth. All youth that register with Sweden’s public employment agency undergo an assessment of their age, disabilities, birthplace, education, employment history, and other factors that affect long-term unemployment risk.\textsuperscript{32} Youth deemed at high risk of long-term unemployment immediately receive active measures such as on-the-job training, holistic study motivation courses, or education, while low risk youth receive only career guidance and job search support.\textsuperscript{33} Ninety days after registering as unemployed, all youth must participate in employment training, work experience, or education programs if offered a place, or risk losing their social assistance.\textsuperscript{34}

Municipal governments play an important role in ensuring that youth employment programs are suited to local contexts. The Swedish government has taken measures to coordinate local governments’ initiatives, for example, by encouraging municipalities to draft agreements with the national employment agency that include measurable goals and action plans.\textsuperscript{35} The majority of municipalities also offer employment programs that are mostly self-financed and targeted at youth disengaged from employment services.\textsuperscript{36} Since 2015, municipalities are required to keep a register of all youth under 20 who are not in education and offer them individualized interventions aimed at their return to education.\textsuperscript{37}
POLICY RECOMMENDATIONS: REDUCING BARRIERS THAT PREVENT YOUTH FROM PARTICIPATING

The Ontario government has taken some steps to counteract the barriers to youth participation and labour market success. The Youth Job Connection program provides youth with up to six months of work, in addition to paid training and mentorship.30 The mandatory career studies course in secondary school is being updated for the modern labour market. Starting in 2018, small businesses will receive a $1,000 incentive for hiring youth and a further $1,000 if they are retained for six months.31 However, further steps should be taken to improve youth labour market participation and outcomes in Ontario.

Continue making education more career-relevant. Eliminating tuition for low-income students and free access to some textbooks can increase the accessibility of PSE.32 However, both the K-12 and PSE systems should be more effective at preparing youth for future careers. All elementary and secondary schools should have sufficient guidance counsellors and staff training to fully implement career planning and development policies such as student portfolios. They should also increase students’ exposure to potential careers through job fairs and external speakers. In addition, the 40 hours of compulsory community involvement in secondary school should be linked more closely to exploring career pathways.33

PSE institutions should review departmental curricula more frequently and with an eye to employers’ skill needs. Universities may consider establishing departmental-level advisory councils with membership from the local business community and other major employers to serve as a sounding board on curriculum development.34 PSE institutions should teach students how to explain their skills to potential employers. Government should consider subsidizing PSE students’ tuition for co-op terms, without disincentivizing PSE institutions from offering co-ops.

Target youth not in education with employment programs. Youth outside the education system may have difficulty finding employment services. Targeted one-stop shop employment centres should provide NEET youth with job training and counselling services, perhaps by requiring participation through a youth guarantee that ties social assistance to participation in youth-specific employment programs. Youth should also have better access to employment services online and via telephone, rather than simply information. Wherever possible, the most extensive employment programs should be directed to youth deemed at most risk of long-term unemployment or non-participation.

Harmonize federal and provincial funding requirements. Third-party youth job programming providers must currently meet the specific reporting requirements of the level of government that funds the program. Harmonizing federal and provincial funding processes and reporting requirements would allow service providers to receive funding from both sources for the same cohort of youth participants, rather than for separate cohorts as currently occurs. These changes could allow for funding to be used for more targeted programs, such as for long-term unemployed youth. Funders should also examine the possibility of multi-year funding agreements for trusted service providers with proven effectiveness. In addition, Ontario should move toward measuring the long-term employment outcomes of program participants rather than focusing on the immediate placement rates of clients on exit.35

Increase measurement of youth in the labour market. Better youth labour market information is needed to fully understand the challenges facing youth and for youth to select in-demand careers. Government should conduct more frequent longitudinal surveys of youth and consider collecting data linked to social insurance numbers for program impact analysis.36 The Statistics Canada Labour Force Survey (LFS) should also create additional questions to more precisely measure underemployment, as is done in the United Kingdom.37

Involve businesses in the discussion on youth employment outcomes. Businesses will create most opportunities for unemployed and underemployed youth. Youth can gain job-relevant skills at the workplace by being exposed to more training enabled by innovations such as open online courses.38 Policymakers should engage the private sector in a discussion of how public and private initiatives can better complement each other, perhaps facilitated by the Ontario Chamber of Commerce or sector associations.
WOMEN
AGES 15 TO 64

PROBLEM
Despite improvements in labour force participation rates for women over the past few decades, a persistent gap remains between them and their male counterparts. In 2016, the labour force participation rate for women was 73.3 percent while for men it was 80.6 percent. Increasing the labour market participation rate for women is essential to ensure economic value is not left on the table.

POLICY HIGHLIGHTS
• Affordable child care
• Take-it-or-leave-it parental leave
• Workplace practices to reduce gender stereotypes

Labour market statistics, Ontario, 2016 (ages 15-64) | Women | Men | Gap
--- | --- | --- | ---
Participation rate (%) | 73.3 | 80.6 | 7.3
Unemployment rate (%) | 6.4 | 7.0 | 0.6
Median hourly full-time real wage (C$ 2016) | 23.00 | 26.00 | 3.00
Average actual weekly hours on main job (hrs) | 29.8 | 36.4 | 6.6
Percent of population, ages 15-64 (%) | 50.6 | 49.4 | -

Holding all else equal, increasing the participation rate of the women in Ontario to the same rate as men could add up to $36.5 billion to Ontario’s economy.


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WOMEN IN ONTARIO HAVE LOWER LABOUR MARKET PARTICIPATION RATES THAN MEN

Of the G-7 countries, Canada had the smallest gap between the participation rates of men and women in 2014. However, Ontario’s employment rates for women were below the national average in 2016, while male employment rates were similar to the national average. Not only are Ontario women participating less in the labour market than men, they are also earning less per hour, working fewer hours, and often in part-time positions. Although participation has improved over the last few decades, a 7.3 percentage point gap between women and men remains.

Women earn lower wages on average than men

Using median hourly wages is one way to calculate the gender wage gap but does not illustrate wage differences between men and women holding the same positions in the same company (such data are difficult to get access to). In Ontario, the median full-time hourly wage in 2016 was $26.00 for men and $23.00 for women. This gap has been closing since 2001, when it was $4.40, but it remains problematic. There are more women working minimum wage jobs compared to men, as well as more women working part time. Many experts have called the pay gap a stalled problem; Canada must take bolder action to address equity across the country.

Pay matters to labour market outcomes for women because it affects the quality and type of work. This also influences decisions related to child care. Reducing the pay gap is an important step to improving labour market conditions for women.

Women work part-time more often than men

In 2016, women worked a median of 29.8 hours per week, compared to 36.4 hours for men. Further, of those employed in 2016, 24.6 percent of women worked part-time compared to only 11.6 percent of men. Women tend to have a larger role in caring for children and other family members, as well as for the overall functioning of the home. Working part time may allow women to balance the responsibilities of work and home, so they may choose occupations that provide this flexibility. In 2016, 12.0 percent of women part-time workers did so to care for children compared to 1.6 percent of men part-time workers.

The gap in labour force participation widens with age

The gap in participation between women and men in Ontario widens from the 25 to 29 age bracket through the 40 to 44 bracket (Exhibit 7). It is during these middle, prime working years where the difference in employment rates between women and men is greatest, likely a product of women taking time off work to start a family and then not returning to the labour market.

EXHIBIT 7 Labour market participation by age for women and men, Ontario, 2016

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Ontario has a larger gender labour force participation gap than New Brunswick, Newfoundland and Labrador, Nova Scotia, and Québec. Toronto, where there was a 12.6 percentage point gender employment gap in 2015, has the highest child care fees in Canada. Meanwhile, in Montreal, where the province has a universal low-cost child care program implemented in 1997, the gender employment gap was just 6.4 percentage points. (Exhibit 8).

BARRIERS TO PARTICIPATION FOR WOMEN

The gap in labour force participation between women and men may be caused by a combination of the following factors:

- Childrearing causing departures from the labour market
- Lack of affordable child care
- Gender stereotypes and workplace biases
- Underrepresentation in high-paying professions
- Lack of access to growth capital and networks

Childrearing

Caring for children is a primary reason why women exit the labour market. This can slow their career progression and increase the barriers if they choose to re-enter the workforce. It also sets women back from increasing their earnings over time, providing further incentive to remain out of the labour market if a financial choice arises between providing unpaid child care and paid employment. Employers may stigmatize maternity leave as “work interruptions,” which can decrease the chances of promotional opportunities. Across all education levels in Canada, women experience a 3 percent wage penalty each year they are away from work.

Lack of affordable child care

The rate at which women participate in the labour market is highly dependent on the cost of child care. When child care is readily available and affordable, participation increases. Unfortunately, Canada does not have a national child care program, and boasts some of the highest monthly child care costs in the OECD. Ontario’s costs are higher than peer countries like Sweden, Australia, and the Netherlands. In 2015, licensed daycare fees in the province ranged from $868 to $1,736 per month. When child care costs are high, families may make trade-offs between continuing to remain in the workforce and child minding. More often than not, it is women who choose to take time off. The labour force participation rate of women in Québec rose from 77.0 percent to 86.0 percent in the ten years following the introduction of a low-cost daycare program.

Gender stereotypes and workplaces biases

Gender equality in the workplace has yet to be achieved. Workplace cultures can limit women. Many challenges stem from stereotypes around gender roles including characteristic behaviours and suitability for certain tasks and occupations. Unfortunately, these beliefs are often unconscious and are held by people of all genders. Gender biases say men are strong, assertive, and in control while women are collaborative, caring, and flexible. Such beliefs create social penalties for women in the workplace when their behaviour fails to align with gendered assumptions. Additionally, women are often more likely to volunteer for perceived ‘low status’ tasks holding them back from promotions.

EXHIBIT 8 Employment rate for women and men compared to monthly child care fees, select Canadian cities, 2015

<table>
<thead>
<tr>
<th>Province</th>
<th>Employment rate (%)</th>
<th>Median monthly child care fees (C$ 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>Québec</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montreal</td>
<td>77.2%</td>
<td>83.6%</td>
</tr>
<tr>
<td>Ottawa-Gatineau, Québec part</td>
<td>84.3</td>
<td>86.9</td>
</tr>
<tr>
<td>Ontario</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ottawa-Gatineau, Ottawa part</td>
<td>80.3</td>
<td>87.6</td>
</tr>
<tr>
<td>Toronto</td>
<td>73.9%</td>
<td>86.5%</td>
</tr>
<tr>
<td>Kitchener-Cambridge-Waterloo</td>
<td>81.3</td>
<td>87.5</td>
</tr>
<tr>
<td>British Columbia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vancouver</td>
<td>74.8%</td>
<td>86.6%</td>
</tr>
</tbody>
</table>

These workplace stereotypes and biases can also be applied to absences from the workplace, which may be interpreted as a lack of work commitment or ambition, increasing barriers to promotions and workplace progression. Women in Canada are less likely to receive promotions throughout their careers, and there is an underrepresentation of women in leadership positions across industries in Ontario. In 2016, women held only 12 percent of board seats in companies listed on the Toronto Stock Exchange.

**Underrepresentation in high-paying professions**
There are also gender stereotypes within and around specific industries, influencing women’s education choices. Women are underrepresented in STEM and trade programs at universities and colleges, translating into their lower representation in workplaces. In Ontario, STEM and the trades have around two-and-a-half times more men than women, and these occupations tend to be some of the highest paying jobs in the province. STEM industries have reported chronic skills shortages and it has been predicted that Canada’s economy will become more STEM-oriented in the future. This presents a great opportunity for women to increase participation in these fields and earn higher wages, while helping companies address their skill shortages.

**Lack of access to growth capital and networks**
Women entrepreneurs face a more difficult time raising growth capital and attaining large procurement contracts necessary to building their businesses. They also lack access to the talent, network, and expertise of mentors. Women are less likely than men to have male colleagues in their networks, limiting their access to coaching and mentorship, an important element in career advancement.

**ADDRESSING THE PROBLEM: CURRENT GOVERNMENT INTERVENTIONS**
There are current public policy interventions designed to close the labour force participation gap between men and women in Ontario. The provincial government is working to address many of the barriers women face when participating in the labour force. Still, progress has been slow. Ontario released its Gender Wage Gap Strategy report in 2016 and is working on a multi-ministry strategy to “close the gap, create equal opportunities for prosperity and strengthen the economy by eliminating barriers that prevent women’s full participation in the workforce.” The province has set gender diversity targets of at least 40 percent of all appointments to every provincial board and agency by 2019. They have also encouraged businesses to set a target to appoint 30 percent women to their boards of directors within three to five years. However, there is currently no penalty for non-compliance.

In Montreal, where median monthly child care costs are $174 per infant, the employment gap between women and men is 6.4 percentage points, compared to 12.6 in Toronto, where the median cost per infant is $1,736.
POLICY RECOMMENDATIONS: REDUCING BARRIERS TO WOMEN IN THE WORKFORCE

Existing government programs are not bold enough to make significant progress on labour force participation, wage equity, and gender equity. The Panel recommends truly committing to providing affordable child care, working with the private sector to reduce stereotypes around work tasks and behaviour, improving education pathways for women, examining best practices for quotas on boards and in leadership positions in the private sector, and working with the federal government on a pan-Canadian gender equity strategy.

Commit to affordable child care. Lack of affordable child care is possibly the biggest barrier for women participating in the labour market. High-quality child care programming needs regular, long-term funding to create spaces for children, pay staff decent wages, and ensure the centres meet the necessary regulations and requirements. In June 2017, Ontario released its renewed Early Years and Child Care Policy Framework that included some principles of universality including increasing funding for fee subsidies and making it more affordable for home daycares to become licensed. This plan will fail to increase labour market participation rates unless further action is taken to lower the costs for each child care space. A province-wide strategy is needed.

Ontario could look to Québec’s child care model which involves base funding for programs and set per-day fees. This is simpler than Ontario’s current medley of centre fees, family income, employment status, and the number and age of children that are used to determine subsidy rates in Ontario municipalities. To remedy some of the province’s challenges around the number of available spaces, Ontario should consider a policy in which no new school can be built in the province without the inclusion of child care facilities. In addition, any scheduled refurbishments to existing schools should also take into account spaces for daycare.

Introduce take-it-or-leave-it parental leave policy. Ontario’s policy for new parents is up to 35 or 37 weeks of unpaid time off work. During this period, parents collect Employment Insurance to cover expenses. However, women are more likely to take advantage of parental leave than men, reducing their labour force participation. Introducing a take-it-or-leave-it paid parental leave policy, whereby leave is reserved for each partner and cannot be transferred. Creating an environment where both genders take leave could help reduce the stigma associated with mothers who take a leave of absence. More than 70 countries offer paid paternity or shared leave for fathers. Five years after Québec introduced this policy, 76 percent of fathers were taking some amount of paternity leave, compared to around 26 percent in the rest of the country. In the Ontario Ministry of Labour’s Final Report of the Gender Wage Gap Strategy Steering Committee, it was recommended that the government establish Parental Shared Leave under the Employment Standards Act, and work with the federal government to coordinate Employment Insurance benefits with this leave.

Reduce stereotypes around work tasks and behaviour. To overcome subconscious biases in the workplace and ensure women are not disadvantaged by taking on low-status tasks, managers can ensure tasks are equally assigned based on status rather than asking for volunteers. Alternatively, managers can give out rewards for such tasks including making them relevant in performance reviews. This action may work to destigmatize such work over time and equalize the playing field within workplaces. Workplace policies play a pivotal role in reducing systemic biases and discrimination that women face in these careers. One possible way to achieve this is by removing names from resumes when screening candidates.

Implement gender targets for corporate boards. Setting gender targets may be one way to promote equality in the workplace. Given Ontario’s poor representation of women in leadership roles, the province should work with the federal government to determine best practices for gender targets for private companies, looking to the experience of several European countries like Norway, Germany, and Belgium whose policies have been in place for several years (see Gender quotas around the world).

Improve career path education for women. Changing the expectations of women in careers and stereotypes is crucial for achieving greater representation of women in STEM careers. These changes must begin in early education. Educational programs could consider mandatory requirements for programs like computer sciences as well as making curriculum more inclusive and relevant for women. Parents, teachers, and guidance counsellors play a role in encouraging a wide variety of career paths for young women. The government also has a role, as identified by the Gender Wage Gap Strategy Steering Committee, in developing an “action plan to support employment and skills training and help increase women’s participation in male-dominant skilled trades and men’s participation in women-dominant ones.”

ONTARIO’S PANEL ON ECONOMIC GROWTH & PROSPERITY
Introduce a pan-Canadian gender equity strategy. Current government efforts to address the labour force participation of women have resulted in a patchwork of policies instead of a well-rounded, government-endorsed, and adequately funded solution. Experts have called for this strategic approach to begin from the federal government. They recommend setting a national framework by which all provincial and sub-national efforts abide.

Gender quotas around the world

Women in the developed world graduate at higher rates than their male counterparts, but hold a smaller share of senior executive positions in the workforce. This persists despite evidence that diversity on leadership teams is positively correlated with financial success, effective decision-making, and lower risk of business scandals such as fraud and bribery. This discrepancy has led many governments to consider imposing legislated gender quotas for executive leadership teams in private sector companies. Countries with some form of these quotas include Belgium, France, Germany, Iceland, India, Italy, the Netherlands, Norway, and Spain.

Norway pioneered gender quotas, legislating a 40 percent quota in 2003. It came into force in 2006, offering a two-year grace period for existing companies after which a failure to meet the quota would have the company delisted from the stock exchange. Over 10 years later, women represent 41 percent of the board seats in Norway’s large publicly traded companies (Exhibit 9). In Belgium, the Netherlands, and Spain, penalties are less harsh than in Norway. Non-compliant firms must simply explain why they fell short and outline a plan to fix it.

Countries with legislated gender quotas have greater representation of women on private sector boards than countries without them. Of course, other policies and societal norms can influence these results including child care, flexible work leave, and greater equality in the business community. Nonetheless, Canada remains near the bottom of the pack. In 2016, women in Canada occupied just 19.4 percent of board positions, compared to an average of 30 percent among countries with quotas.

---

EXHIBIT 9 Share of women in corporate board roles, Canada and select countries, 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of Women in Corporate Board Roles (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>41</td>
</tr>
<tr>
<td>France</td>
<td>39</td>
</tr>
<tr>
<td>Italy</td>
<td>38</td>
</tr>
<tr>
<td>Netherlands</td>
<td>37</td>
</tr>
<tr>
<td>Belgium</td>
<td>35</td>
</tr>
<tr>
<td>Germany</td>
<td>34</td>
</tr>
<tr>
<td>Spain</td>
<td>33</td>
</tr>
<tr>
<td>Sweden</td>
<td>32</td>
</tr>
<tr>
<td>Denmark</td>
<td>31</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>30</td>
</tr>
<tr>
<td>Australia</td>
<td>29</td>
</tr>
<tr>
<td>Canada</td>
<td>28</td>
</tr>
<tr>
<td>United States</td>
<td>27</td>
</tr>
<tr>
<td>Switzerland</td>
<td>26</td>
</tr>
</tbody>
</table>

Note: Data are for publicly listed companies. Boards refer to the highest decision-making body in the given company, such as the board of directors for a company in a unitary system, or the supervisory board in the case of a company in a two-tier system.

Source: Institute for Competitiveness & Prosperity analysis based on data from the OECD.
OLDER WORKERS
AGES 55+

PROBLEM
The share of the population that falls into the older worker category in Ontario is expanding. As a significant portion of this cohort is not engaged in the labour force, the public cost for providing government services to them may be insurmountable to the working population without tax hikes. Additionally, these workers’ experience and knowledge is lost when they retire. Improved labour retention for older workers can be achieved through a combination of preventative and reactive policies.

POLICY HIGHLIGHTS
- Flexible work accommodations
- On-the-job training and out of work retraining
- Matching and job search programs

Labour market statistics, Ontario, 2016

<table>
<thead>
<tr>
<th></th>
<th>Ages 55-64</th>
<th>Ages 65+</th>
<th>Ages 15-54</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation rate (%)</td>
<td>66.5</td>
<td>14.4</td>
<td>79.5</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>5.3</td>
<td>3.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Median hourly full-time real wage (C$ 2016)</td>
<td>25.10</td>
<td>23.00</td>
<td>24.40</td>
</tr>
<tr>
<td>Average actual weekly hours on main job (hrs)</td>
<td>33.5</td>
<td>26.8</td>
<td>33.1</td>
</tr>
<tr>
<td>Percent of population, ages 15+ (%)</td>
<td>16.1</td>
<td>19.0</td>
<td>64.8</td>
</tr>
</tbody>
</table>

Holding all else equal, increasing the participation rate of the 55+ age group in Ontario to the same rate as Sweden’s could add up to $43.4 billion to Ontario’s economy.

AN AGING POPULATION IS RESPONSIBLE FOR THE MAJORITY OF THE DECLINE IN ONTARIO’S LABOUR FORCE PARTICIPATION

Ontario needs to retain a higher percentage of older workers in the labour force in order to negate the effects of an overall aging population. Most developed countries are also experiencing aging demographics, and are expected to have a shrinking tax base as fewer people actively contribute to the economy. Thus, the decline in active labour participation due to an aging population will slow down growth of potential output and consequently government revenue.

These demographic trends place pressure on government expenditures on the elderly, especially health care costs that rise with age. Population aging is projected to drive government health sector expense growth by 1.1 percent annually in real terms until 2020. Additionally, the burden of funding government services rises as the ratio between the non-working age and the working age population (the dependency ratio) continues to grow. Compounding these issues is the loss of valuable talent with years of work experience, and potential labour shortages, particularly in high-skilled occupations including management and health care sector roles.

The share of individuals in Ontario ages 55+ continues to rise. By 2040 it is forecasted to approach the size of the core working age population (ages 25-54) (Exhibit 10).

Having access to accurate and specialized labour market information on the older subset of the population would drastically increase the ability for researchers and policymakers to put forward fact-based recommendations and programs.

**EXHIBIT 10** Forecast of Ontario’s age demographics, Ontario, 1971-2041

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>15-24 years</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
<td>35</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>25-54 years</td>
<td>40</td>
<td>45</td>
<td>50</td>
<td>55</td>
<td>60</td>
<td>65</td>
<td>70</td>
<td>75</td>
</tr>
<tr>
<td>55+ years</td>
<td>50</td>
<td>55</td>
<td>60</td>
<td>65</td>
<td>70</td>
<td>75</td>
<td>80</td>
<td>85</td>
</tr>
</tbody>
</table>

Note: Projections are based on the reference case from the Ontario Ministry of Finance.
ONTARIO’S OLDER WORKERS ARE DRIVING LOW PARTICIPATION RATES OVERALL

Labour force participation of individuals ages 55 and over is worse in Ontario than top-performing OECD jurisdictions like Norway, Sweden, and the United States (Exhibit 11). In 2016, participation in this age bracket was 38.3 percent in Ontario, but 49.3 percent in Norway. Matching the participation outcomes of these jurisdictions could add considerable capacity to Ontario’s economy and reduce the burden on the government’s expenditures.

The majority of the labour force participation decline in Ontario can be attributed to population aging rather than changes in the participation of different age groups. If the age structure of Ontario’s population was held constant, while allowing participation of different age groups to change over time, overall participation would remain steady instead of
dropping sharply after 2003 (Exhibit 12). Maximizing the ability of older individuals to engage in the workforce is a critical component to increasing the province’s labour force participation (see Sweden leads the way in older worker labour market participation).

**Higher levels of education keep workers in the labour force**

Labour force outcomes within the 55+ years population vary depending on social and geographic characteristics including education, age, and location. Different levels of education have markedly different participation outcomes for older individuals. The link between education and participation rate has strengthened over time, with the less educated being left behind. Moreover, the older generation generally experiences greater differences than that observed in the core working age population.

Older individuals are more educated than before – more than 50 percent had a post-secondary certificate, diploma, or higher in 2016, compared to about 23 percent in 1990. This is partially responsible for the gradual rise in the older population’s labour force participation. While this segment of the population will only become more educated over time, roughly 45 percent had only a high school diploma or less in 2016. The broad representation and varying outcomes across different educational backgrounds are important to consider in order to ensure that new policies are as effective as possible.

**Outcomes for older workers vary by geography**

Labour force characteristics for older workers in Ontario as a whole also mask the heterogeneity across different regions of the province. Thunder Bay, Peterborough, and St. Catharines-Niagara are the Census Metropolitan Areas (CMAs) with the greatest percentage of older individuals. Areas such as Hamilton, Peterborough, and Thunder Bay have participation rates below 35 percent and each CMA and rural area also differ in their makeup of industries and overall economic well-being. It is possible that when older workers decide to retire, the likelihood of moving out of core economic cities, where the cost of living is higher, increases. These factors are critical determinants of labour force participation for the older population in Ontario and are important to recognize when formulating policy options to encourage participation in the workforce.

**Sweden leads the way in older worker labour market participation**

A significant number of older workers in Sweden left the labour market during the country’s 1991-1993 banking crisis and did not return as the economy recovered in the following years. To combat this effect, the government used multiple policy tools to retain existing older workers for longer within the workforce. The policies with the greatest impact were adjustments to the pension system, tax credits for older workers, increasing the mandatory retirement age, and stricter rules governing the disability insurance program.

Sweden’s pension system originally did not account for the age of the individual retiring when determining their eventual payout, only the age they began to receive their pension. For example, retiring at 62 but collecting a pension at 65 did not cause an adjustment to be made to the payout. It was calculated on the best 15 years of labour market contribution and only reduced the benefit when an individual worked less than 30 years. This system was replaced by a notional defined contribution plan that reflects lifetime earnings and contribution rather than a defined benefit. Canada’s pension system is more similar to Sweden’s newly adopted system. It discourages early retirement by reducing payment to those who retire before the age of 65 and attempts to track lifetime contribution.

The Swedish government also decided to directly incentivize working past the age of 65 by lowering the income tax rate they face. The Swedish earned income tax credit, which is not income tested, increases for individuals over 65. Additionally, the income tax rate decreased from 26.4 percent to 10.2 percent for this group. This substantial, additional after-tax income available to older workers can encourage older workers to dedicate a few more years to their careers. This policy, while a tax loss, does not interfere in the labour market the way a subsidy to an employer does. An employer faces the same wage cost regardless of the age of the employee, but the likelihood of older workers remaining in the labour market past age 65 is drastically increased. This policy has the potential to be adapted in Ontario.
BARRIERS TO PARTICIPATION FOR OLDER WORKERS

Older workers face barriers to labour force participation on two fronts: when they are currently employed and when job loss has already occurred. By addressing these barriers, Ontario can increase the number of people working in the economy and contributing to income tax revenue. Though many older workers want to remain in the labour force, the decision and ability to do so is dependent on:

- Workplace factors
- Skills and ability
- Unemployment factors
- Job search behaviour

Workplace factors

Work environments are influential in the retirement decisions of older workers. Forty-eight percent of older workers from Ontario surveyed in 2008 reported being highly stressed in their current job.99 Job strain for women in particular significantly increases the probability of early retirement.100 Flexible work arrangements including part time, remote access, and flexible hours may benefit older workers. A 2004 Canadian study that focused on retirees ages 50 and older found that more than a quarter of them would have continued working if they were offered part-time work. The bulk of retirees would also have changed their decision if they had the opportunity to work fewer days or shorter days without affecting their pension.101

While the prevalence of some form of phased retirement program has increased, more employers should push to adopt flexible practices if they hope to retain older workers.102 Incentives may need to be provided to businesses to convince them to offer flexible hours as many currently do not see the advantage to doing so. Older workers’ valuable knowledge and experience is worth retaining through flexible hours and other work accommodations.

Skills and ability

In addition to increased educational attainment, participation in training has also been found to delay retirement, even when controlling for the likely selection bias of higher quality workers receiving more training.103 However, older workers are less likely to engage in on-the-job training compared to those in the core working age population. The discrepancy between the two demographics persisted even when accounting for a number of labour market factors and personal characteristics.104 Retraining for a new career path, role, or industry is especially relevant for older workers transitioning away from physically-intensive work, looking for employment in another industry, or keeping up with the changing skill demands in the labour market.

Unemployment factors

Unemployment weighs more heavily on the older workforce relative to younger age groups. Older workers stay unemployed for a longer period of time and can face lower rates of re-employment after losing their job.105 Unemployment in this age group is also more likely to lead to retirement. In 2008, job loss due to layoffs, closure, or downsizing was the third most prominent reason for first time retirement for workers ages 50 to 75 in Canada.106 Additionally, more than a quarter of older workers who were unemployed expected to retire earlier because of their unemployment.

Job search behaviour

Another barrier to re-entry into the workforce later in life is a lack of job-hunting knowledge. This can be especially problematic if workers have changed jobs infrequently throughout their careers. The challenges for mature workers after job loss include limited skills and knowledge related to job searching as well as a lack of computer skills.120 In general, older unemployed individuals are less likely to use the Internet for their job search compared to their younger counterparts, and more likely to have mainly looked at printed job ads.121

POLICY RECOMMENDATIONS:
TARGETED PROGRAMS ARE NECESSARY TO RETAIN OLDER WORKERS

The older population in Ontario is set to continue to grow until it matches the size of the core working age population around the year 2040. If a significant portion of this cohort is not engaged in the labour force, the loss of tax revenues and the public cost for providing government services to them may be insurmountable without tax hikes. By retaining older workers, the negative effects of a growing dependency ratio can be curtailed and the experience and expertise of this group preserved. Many of these workers have a lifetime of work experience to offer employers and potentially pass along through mentorship. Improved labour market outcomes for older workers can be achieved through a combination of preventative and reactive policies.
Preventative policies can help older workers remain in the labour force

Businesses should offer more flexible work accommodations. As workers reach the later years of their careers, the value of flexible or part-time work may increase. By not accommodating flexible work arrangements for these workers, businesses risk losing them to early retirement. The provincial government could work with organizations like the Ontario Chamber of Commerce to educate businesses on the benefits of offering flexible work arrangements and the relatively small cost associated with setup and management.

Incentivize on-the-job training for older workers. Gaining additional skills or on-the-job training contributes to workers continuing their careers. Workplaces tend to pay for training for individuals that they believe will pay back the investment and may view investments in older individuals as less likely to pay off. Government incentives could be required to ensure the final working years of each career are maximized. Programs such as training expenditure matching for this age group can align the incentives of businesses with those of society. Any such program would need to be fiscally conservative, as the investment still needs to generate a return. Spreading the investment risk broadly through a government program helps to reduce the concentrated risk of one employee receiving training, then quickly retiring, producing a net loss. A potential avenue for service delivery might be open online courses, which are relatively cheap to administer and deliver high quality, and targeted information. The provincial government has already contracted Lynda (an online course provider) to deliver online training to students, instructors, and staff of publicly funded colleges and universities in Ontario. A similar approach and curriculum could be constructed and piloted specifically targeting older workers.

Collect group specific labour force data on the older population. To better understand the needs and issues faced by the older segment of the population, an age-specific survey should be created. The LFS does an admirable job capturing the outcomes of all age groups in the labour force, but does not provide a deep dive into the issues faced by older workers. Some questions not asked to the general labour force would be very valuable for program creation and evaluation if asked separately. The dataset created by this survey should be complementary to the LFS, but include variables specific to this age segment including training opportunities provided on the job, income before and after job loss, and support programs accessed, among others. Much of the current research focused on older workers utilizes data from the 2008 Survey of Older Workers or prior surveys. These datasets are out-dated and fail to properly cover the effects of and potential recovery from the financial crisis. Having access to accurate and specialized labour market information on the older subset of the population would drastically increase the ability for researchers and policymakers to put forward fact-based recommendations and programs.

Reactive policies can reintroduce older workers into the labour force

After a job loss has occurred, efforts can be made to mitigate its impact on labour force participation. Currently, the sudden loss of an older worker’s job can lead to extended stretches of unemployment and early retirement.

Provide specialized retraining to older workers. Some workers leave their jobs with non-transferable skills. Broad retraining programs such as Second Career may not be best suited to handle the needs of older workers who are looking for a final occupation before retirement. Instead, the government should create an age-restricted program specializing in training most applicable for this group. This program would determine a worker’s transferable skills as well as new skills necessary to obtain an appropriate job placement.

Offer targeted job search assistance to older workers. Many unassisted older workers conduct job searches in antiquated ways, underutilizing internet job search mechanisms. By coupling specialized skills training programs with workplace matching and job search assistance, older workers can be retained in the labour force for a longer period of time.

Monitor and evaluate government programs for absolute and relative cost effectiveness. A meticulous cost benefit analysis is necessary when provincial or federal government programs target individuals with relatively few working years left. The program should deliver strong results at a reasonable cost to be worthwhile when compared to other areas of potential government spending.
INDIGENOUS PEOPLES
AGES 15 TO 64. INDIGENOUS PEOPLES INCLUDE INDIAN (FIRST NATIONS), INUIT, AND MÉTIS AS DEFINED IN CANADA’S CONSTITUTION ACT (1867).

PROBLEM
The Indigenous population living in Ontario achieves lower labour market outcomes than their non-Indigenous counterparts. They are more likely to work part time, earn a lower wage, and have a lower participation rate than non-Indigenous people. It is an economic imperative to improve their labour market outcomes. To fulfill the government’s commitment to reconcile its relationship with Indigenous Peoples, steps should be taken to address systemic and legislative barriers to economic development on and off-reserve.

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<th>Labour market statistics, Ontario, 2016 (ages 15-64)</th>
<th>Indigenous Peoples</th>
<th>Non-Indigenous</th>
<th>Gap</th>
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<td>Participation rate (%)</td>
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<td>77.1</td>
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<tr>
<td>Unemployment rate (%)</td>
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<tr>
<td>Average hourly wage (C$ 2016)</td>
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<tr>
<td>Percent of population, ages 15-64 (%)</td>
<td>2.2</td>
<td>97.8</td>
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</table>


POLICY HIGHLIGHTS
- Truth and Reconciliation
- Business development on-reserves
- Funding for Indigenous lending organizations

Indigenous Peoples experience considerable economic losses as a result of the gaps in Indigenous labour force participation. There is a tendency to frame this as a potential economic gain in increased GDP for Ontario if the economic gaps can be closed. However, the GDP measurement is not as relevant for Indigenous Peoples as it is for the other groups examined in this Annual Report given the complexity of their challenges. Instead, Indigenous Peoples should define what successful economic development means to them.

INDIGENOUS PEOPLES ARE UNDERREPRESENTED IN THE ONTARIO LABOUR MARKET

Indigenous Peoples in Ontario are not a homogenous group. The term Indigenous Peoples includes many communities, identities, languages, and cultures. Thus, labour force participation viewed solely under the term “Indigenous” hides the realities of different cultural identities and individual experiences on reserves and settlements. Each group within the Indigenous identity experiences different labour force participation outcomes, yet all experience lower labour force status than their non-Indigenous counterparts (Exhibit 13).111

Indigenous Peoples in Ontario face a complex reality. The challenges they face in health care, education, or labour force participation can only be understood within their historical context. Unfortunately, there is a lack of timely labour force information available for Indigenous groups, especially those living on-reserve. LFS data are only collected for Indigenous Peoples living off reserve on a monthly basis. Although it is recognized that improving the outcomes for Indigenous Peoples is a complex and long process, the Panel chose to examine it because of its importance.

Indigenous Peoples have a lower participation rate and employment rate than their non-Indigenous counterparts. They are more likely to work in part-time roles, and earn a lower average hourly wage. Indigenous Peoples are also less likely to be employed in service professions in high demand today.112

Solutions must involve conversations between federal, provincial, and Indigenous-led governments.
In 2016, 32.7 percent of Indigenous Peoples in Ontario (ages 15 to 64) were not in the labour force, compared to 22.9 percent of non-Indigenous. The employment rate was 60.5 percent for Indigenous workers compared to 72.0 percent for non-Indigenous.

Indigenous Peoples are less likely to hold managerial occupations and positions in natural and applied sciences (Exhibit 14). This is significant considering that these professions are some of the highest paying in Ontario. Management occupations had an average hourly wage rate of $44.14 in 2016, while positions in natural and applied sciences had a wage rate of $36.54.\(^{113}\)

**First Nations on-reserve employment in Canada**

Select on-reserve data are available via an Indigenous-led data collection group called the First Nations Information Governance Centre. According to the 2015 First Nations Regional Early Childhood, Education, and Employment Survey, over 40 percent of adult First Nations in Canada are employed by their local government.\(^{114}\) First Nations government is also the primary employer of youth – 32.1 percent of Indigenous youth between the ages of 15 and 17 are employed by their government. This is much larger than the 5.1 percent of non-Indigenous Canadians who are employed in public administration.\(^{115}\)

A substantial share of on-reserve adults (ages 18+) are employed in the educational services, construction, and health care and social assistance industries. There is lower employment in retail trade, food services, transportation, utilities, or in professional, scientific, and technical services. Economic opportunities are not as readily available as they are in the rest of the province or country. First Nations also noted that if they were working less than 30 hours per week, it was because they could not find more work due to local business conditions.\(^{116}\)

**BARRIERS TO PARTICIPATION FOR INDIGENOUS PEOPLES**

The challenges facing Indigenous Peoples in Ontario are different for on-reserve and off-reserve members. However, challenges on-reserve can push members to look for economic opportunities off-reserve.

Indigenous Peoples are healing from the impacts of colonization and assimilation policies.\(^{117}\) Since these impacts were different for each community, some have achieved substantial levels of economic development, while others remain focused on basic needs. The gap in labour force participation between Indigenous Peoples and non-Indigenous people is caused by a combination of the following factors, among others:

- Unfavourable business climate on-reserves
- Lack of access to capital
- Effects of residential school syndrome
- Inadequate infrastructure
- Insufficient education opportunities.\(^{118}\)

**EXHIBIT 14** Employment by occupation, Indigenous and non-Indigenous (ages 15-64), Ontario, 2016

**Unfavourable business climate on-reserves**  
The Indian Act (1876) and Canada’s Constitution Act (1867) created unfavourable and uncertain business conditions on-reserve. The Indian Act is the main statute by which the federal government administers Indian status, local First Nations governments, and manages reserve lands and monies. In its creation, the Act pushed many communities into territory unsuitable for agriculture or development. It broke cultural and language ties and stripped communities of their traditional economic practices.

The Indian Act continues to regulate community life, education, property ownership, lands, resources, and financial management today. It limits property ownership, the typical collateral necessary to access financial capital for business investments. This financial uncertainty has a negative effect on investment. It also perpetuates inadequate housing and infrastructure investment, creates a complex government-funding regime, and a high cost of doing business.

The Constitution Act divides power between the provinces and the federal government, but does not recognize the self-government rights of Indigenous Peoples. The division of powers causes a diffusion of responsibility for funding, further complicating and diluting the actions needed to improve the social and economic outcomes for Indigenous Peoples.

**Lack of access to capital**  
On-reserve, lack of land ownership limits Indigenous Peoples’ ability to access capital. For every dollar of market capital accessed by Canadians in 2013, First Nations and Inuit peoples accessed only nine cents. According to the National Aboriginal Economic Development Board, “the typical Canadian community can leverage $1 million of annual revenues to finance $6 million in infrastructure spending or attract $5 million in investment. For a First Nation community, the same $1 million could only finance $2 million in infrastructure spending or $1.5 million in investment.”

The Indian Act has deterred mainstream financial lenders from providing services to on-reserve Indigenous Peoples. Indigenous companies need to find market sources of capital including loans, bonds, equities, and commercial paper to start and scale-up businesses.

**Effects of residential school syndrome**  
The early years of a child’s life are essential to their development and growth. Unfortunately, there were over 20 residential schools in Ontario in the nineteenth and twentieth centuries that separated children from their families, cultures, and way of life. The last school in the province closed in 1991. The separation limited the economic opportunities for communities and this trauma continues to impact the outcomes of Indigenous Peoples in Ontario.

**Inadequate infrastructure**  
Infrastructure, including access to the energy grid and a safe and clean water supply, plays an important role as an enabler for economic development. Infrastructure has a number of positive spillover effects including enhancing the efficiency of commercial and public operations, transportation, utilities, and communication networks, which can strengthen and attract private sector participants. Many Indigenous communities in Ontario experience an infrastructure deficit. Approximately 23 are not connected to the electrical grid – a barrier to start a business in a community. Across the country, First Nations need investments in water and wastewater systems that exceed available funding dollars. This deters quality talent from remaining on-reserve. In all of these cases, a lack of economic opportunities is linked to a lower labour force participation rate.

**Insufficient education opportunities**  
Employment outcomes are improved when individuals have completed high school, but access to quality education remains an ongoing challenge for Indigenous Peoples in Ontario. Education is primarily a provincial responsibility, but on-reserve, it is funded by the federal government and operated by the local community. Unfortunately, on-reserve education is often not offered beyond grade 9 or 10, an insufficient level with which to pursue post-secondary education.

According to the 2012 Aboriginal Peoples Survey, 72 percent of off-reserve First Nations between the ages of 18 and 44 who completed high school were employed. Many Indigenous Peoples in Ontario relocate to a community with more education and job opportunities to support a livelihood. But in doing so, they risk losing ties with their community, culture, and families. Even when they move off-reserve into urban centres, they may be held back by inadequate education or preparation for the workforce, lack of previous workplace experience, language or cultural barriers, discrimination, or racism. Their own community then faces further gaps in literacy, education, and income levels, known as the brain drain.
WHAT PROGRESS HAS BEEN MADE ON INDIGENOUS PARTICIPATION AND ECONOMIC DEVELOPMENT?

Indigenous women in Canada have made advances in labour force participation, growing their share of employment in service industries including educational services, finance, insurance, real estate, and professional and scientific services. In fact, Indigenous employment rates for women have bounced back to their pre-recession levels. This could be the result of increased rates of educational attainment (above high school) completed by Indigenous women.

Communities across the country are taking economic development into their own hands in an effort to establish systems that reflect their ability to self-govern. Tsawwassen First Nation in British Columbia is one. The community has been able to break out of a cycle of poverty through negotiating an urban treaty with provincial authorities, giving them control over their land. Today, homes in the area start at $619,000 and economic development is thriving. The community is nearly at full employment.

Still on the road to recovery, but using innovative methods, is Eabametoong First Nation located in Fort Hope Ontario. (See Eabametoong First Nation: Economic development through the Fort Hope Farm).

Eabametoong First Nation: Economic development through the Fort Hope Farm

Historical traumas, including residential school syndrome and the 60s Scoop (the practice in the 1960s where Indigenous children were kidnapped and placed in foster homes or for adoption), have had lasting impacts on the Eabametoong First Nation (EFN) community. As a result of separation from their families, the wisdom of Elders, and their traditional way of life, fewer engage in land-based practices today. The community’s isolation and remoteness contribute to boredom among young people. There are higher levels of prescription drug abuse, gang-related violence, domestic abuse, and deteriorating family structures.

EFN is located 400 km northeast of Thunder Bay. The on-reserve population is approximately 1,300 out of the total membership of 2,500, some of whom live off-reserve. Community services and infrastructure on-reserve include the local school (providing education up to grade 9); an inn; a nursing station; a radio broadcasting and communications building; an arena; a community hall; two churches and one cemetery; the police service; an airport; a farm, and some small locally run businesses. All food, water, and building materials are flown in, drastically increasing their prices.

In an attempt to overcome economic and social challenges, the community has adopted a holistic approach to development through the lens of health and wellness, and food and job security. They are creating a 7-acre farm to feed the community, create jobs, and build a business that can partake in regional economic and agricultural opportunities. The farm will expand to 12 acres in 2018 and include a greenhouse. Their goal is to generate a revenue stream from exporting produce to other food-insecure northern First Nations. In the next year, the community will need to locate a source of capital funding to build a produce storage facility. At the moment they are using traditional root cellar storage. Strategic stakeholder and community engagement and community wellness all play a role in ensuring the success of this initiative. Currently, there are five employees supported by the Ontario Trillium Foundation. Volunteers are currently funded through Ontario Works.

Overcoming the challenges in EFN will not happen overnight. It will take the committed and creative work of many people over many generations, as well as continued mentoring and monitoring with partnering organizations to achieve long-term, sustainable economic development.

When working with First Nation communities, policymakers and program advisors must gain an understanding of the Indigenous worldview and the layered impact of historical traumas on current outcomes.
ADDRESSING THE CHALLENGE: RECENT GOVERNMENT ACTIONS TO ADDRESS INDIGENOUS OUTCOMES

To create favourable economic outcomes and conditions for Indigenous Peoples, their communities need:

- Rules and systems that work
- Control over local decision-making
- Community capacity
- A base of usable land for economic development

Addressing these four pillars begins with reconciliation. Although it may seem daunting to consider the long path toward reconciliation, governments can make progress through the actions recommended by the Truth and Reconciliation Commission of Canada (TRC). Many of the recommendations in the TRC report deal directly with improved economic, educational, and social outcomes for Indigenous Peoples.

Solutions must involve conversations and actions between the federal, provincial, and Indigenous-led governments. The following are some of the recent policy actions taken by the federal and Ontario governments.

Federal government actions include:

- Separating Indigenous and Northern Affairs Canada into two ministries: one focused on Crown-Indigenous relations, tasked with dismantling the Indian Act, and the other focused on delivering key services to Indigenous communities (e.g., child and family services, health care, infrastructure, education, and shelter and housing)
- Striking a Working Group of Ministers on the Review of Laws and Policies Related to Indigenous Peoples and operational practices
- Publishing 10 principles for achieving a nation-to-nation relationship and reconciliation
- $800 million for the survivors of the 60s Scoop

Ontario government actions include:

- Commitment to invest $250 million until 2020 on programs and actions focused on reconciliation
- $19 million over three years in new mental health and addiction supports to help families and communities break the cycle of intergenerational trauma
- $18.6 million to establish new or expanded Indigenous Mental Health and Addictions Treatment and Healing Centres
- Supporting the reduction of diesel use in the 25 remote First Nation communities in Northwestern Ontario

The federal government’s commitment to dismantle the Indian Act has received much attention. Indigenous parties, including the Chiefs of Ontario, have stated their support for this action. However, critics say that it must be more than an administrative change, done with Indigenous People’s involvement in each step of the process.

The Working Group of Ministers on the Review of Laws and Policies Related to Indigenous Peoples has been criticized for including neither Indigenous representation, nor a clear mandate to engage grassroots communities. There are 40 to 50 exploratory tables currently underway with Indigenous groups across Canada, but the nature of the topics and invited guests are not publicly available and are not being shared with communities. As these discussions advance, all necessary parties must be present. If this process is top-down, the government risks creating a biased solution for Indigenous Peoples instead of involving them in it directly.
POLICY RECOMMENDATIONS: ACTIONS FOR RECONCILIATION

There are 94 well-informed recommendations in Canada’s TRC report that should be followed up by government action. These recommendations should act as a set of guiding principles and benchmarks to measure success and progress on reconciliation and improved outcomes for Indigenous Peoples. First and foremost, the Panel recommends that the federal government engage in greater transparency through its process of reconciliation, including the Working Group of Ministers, and the process of legislative reviews including the Constitution Act and the Indian Act.

Work with Indigenous Peoples to adjust legislation to improve economic conditions on-reserves. Access to a usable land base is an essential condition to positive economic outcomes. As such, governments should work with Indigenous communities to make the appropriate legislative changes to improve the business conditions on-reserve, mainly to address issues related to land ownership and access to capital.

Increase funding for Indigenous-led lending organizations to improve access to capital. In the absence of systems that can improve Indigenous access to capital from major financial lending institutions, there is an opportunity for the federal and provincial governments to increase funding to Indigenous-led lending organizations. These organizations are more likely to be culturally aware and sensitive to the unique needs of this population. Canada has a network of Aboriginal Financial Institutions working to stimulate economic growth for Indigenous Peoples. They provide underwriting for business development and are viewed as an organization tailored to the Indigenous entrepreneur.

Address funding shortfalls for on-reserve infrastructure. To create conditions on-reserve that are conducive to economic development, it is paramount that funding discrepancies for infrastructure, including education, water, and connectivity to the grid, be addressed. Without these basic pillars in place, it will not be possible for the Indigenous population in Ontario to achieve the same labour market participation rate of their non-Indigenous counterparts.

Report to the public on government progress toward the Truth and Reconciliation recommendations. To keep this important issue top of mind for policymakers and the Canadian public, the federal and provincial governments should table an annual report in the legislature on the progress to date on the TRC recommendations.

Educate the public service about Indigenous Peoples. If policymakers are to make relevant and appropriate policies regarding the outcomes of Indigenous Peoples in Ontario, awareness and understanding of Indigenous histories and worldviews must grow within the public service. As recommended by the TRC, public servants should be trained to understand the history between Canada and its Indigenous Peoples. This increased understanding will make it possible for action to be taken on many of the TRC recommendations, and will hopefully align Indigenous Peoples and the economic development policies that serve them best, as well as make them a fundamental part of the process.

Federal and provincial governments must remember that, to be fully self-sufficient, Indigenous Peoples need rules and systems that work, control over local decision-making, community capacity, and a useable land base. Government must move beyond apologies and toward change in order to create conditions for equal labour force participation outcomes.

To be fully self-sufficient, Indigenous Peoples need rules and systems that work, control over local decision making, community capacity, and a useable land base.
Ontario has the potential for improved prosperity by removing the barriers to labour force participation for youth, women, older workers, and Indigenous Peoples. Many of the policy solutions are within reach. The Ontario government can seize this opportunity by committing to economic development through labour force participation and setting priorities for immediate attention.
There is a significant opportunity to enhance prosperity in Ontario by improving the labour force participation of youth, women, older workers, and Indigenous Peoples. Bold policy actions can overcome the barriers facing these groups. Although all recommendations put forward would be worth pursuing, some will need to be prioritized over others. The Panel recommends five priorities for immediate attention.

By improving the labour force participation of youth, women, older workers, and Indigenous Peoples, Ontario could expect to add up to $54.0 billion to its economy. This economic opportunity is immense and should be seized. By undertaking the recommendations set out in this Annual Report, along with continued efforts to improve the labour market participation of these four groups, Ontario’s economy could become significantly better off. This will have a positive impact on the province’s prosperity, relative to its peer jurisdictions.

Ontario can only seize this opportunity by taking swift and strong action to remove the barriers to labour force participation faced by these four groups. In doing so, other groups may also experience higher levels of participation and better employment outcomes.
1. **Expand targeted employment services.**
Each demographic group has different needs for re-entry into the workforce. Older workers who left school decades ago have different needs than youth fresh out of school. Indigenous Peoples face unique labour market barriers rooted in a history that service providers must understand and address. Employment programs would be more effective if designed for the needs of specific groups, rather than employing a one-size-fits-all approach. One option could be to ensure that front-line service providers have adequate training to allow them to meet the needs of diverse individuals. In addition, more targeted programs would allow greater cost-benefit analyses of expenditures on employment guidance and support programs, which is especially important when considering subsidizing services for older workers.

2. **Implement an affordable child care model and balanced parental leave policy.**
An affordable child care system is a sound investment for Ontario’s economy. The government should examine alternative, more financially accessible models of child care such as universal models or those that combine subsidized base funding with daily daycare fees. Québec has made strides in increasing the labour force participation of women through its universal, low-fee day care system and Ontario can look to it as an example. These models are much simpler than the current subsidy rate calculation in Ontario municipalities. Ontario should also ensure that every new school is built with child care facilities and any scheduled refurbishments in existing schools should take into account spaces for daycare.

Introducing take-it-or-leave-it paid parental leave policy is a solution worth exploring. This creates an environment in which both genders take leave, reducing the stigma placed on mothers and creating more gender equity in the workplace.

3. **Incentivize on-the-job training.**
Businesses should recognize the opportunities available in expanding their workforce by having more Ontarians enter the labour market. The Ontario government should engage the private sector in a discussion around how public and private initiatives can better complement each other. Working with businesses, government could establish the correct funding model to incentivize training, while recognizing the potential market failures that emerge from businesses training workers who may leave for a rival firm. Businesses could take the lead by increasing the amount of on-the-job training they offer new employees in order to build on the more fundamental skills employees gain from public education. For example, in the absence of large budgets, firms could provide employees with a few paid hours each week to improve their skills through online courses or other self-directed education.

4. **Take action on reconciliation with Indigenous Peoples.**
Understanding reconciliation and its impacts on economic development requires education. The government of Ontario must ensure that all public servants are educated about the historical relationship between Indigenous Peoples and Canadian governments, traditional ways of life, on-reserve realities, and the Indigenous worldview. With this base understanding, it will be possible to move forward into economic development for Indigenous Peoples, supported by the Ontario government. To advance the goals of the TRC, Ontario should table an annual report in the legislature updating Ontarians on their progress toward the recommendations that are relevant to the province. Ontario can also work with the federal government to provide adequate funding for K-12 education systems as well as improve infrastructure funding for water and electricity.

5. **Expand labour market data to better identify barriers to participation.**
The labour market data currently available do not provide sufficient information to identify the barriers to labour force participation facing many Ontarians. This issue is particularly troublesome for youth, older workers, and on-reserve Indigenous Peoples. For example, the Statistics Canada LFS does not include questions that allow quantification of underemployment or identification of the employment support programs respondents accessed. The LFS also struggles to capture Indigenous data on-reserve due to jurisdictional issues. Having access to more accurate and specialized labour market information would increase the government’s ability to make evidence-based policy.
2016-2017 OUTSTANDING RECOMMENDATIONS

Each year, recommendations are made for increasing economic prosperity in Ontario. The following remain outstanding since our last Annual Report. In 2017, the Institute wrote about employment and wage outcomes for immigrants, skills for the changing labour market and Employment Ontario programs, and CEO perspectives on the province’s competitive advantages.

IMPROVE IMMIGRANT EMPLOYMENT AND WAGE OUTCOMES BY EXPANDING PROGRAMS FOR RECENT IMMIGRANTS.

Immigrants require unique assistance during their first five years in Ontario. To this end, additional policies and programs should be targeted to immigrants during this time frame. Women, in particular, require focused assistance for their full economic potential to be realized.

In Working Paper 28, “Immigration in Ontario: Achieving best outcomes for newcomers and the economy,” the Institute studies the state of immigration in Ontario. The analysis reveals many striking findings of the outcomes of Ontario’s immigrants compared to their Canadian-born peers. If the employment and wage gaps were closed, immigrant incomes could grow by $15 billion – equivalent to 2 percent of Ontario’s GDP.
STRENGTH IN NUMBERS: TARGETING LABOUR FORCE PARTICIPATION TO IMPROVE PROSPERITY IN ONTARIO

One Big Idea from CEOs is to embrace lifelong learning in Ontario. The education system is not yet oriented toward producing 21st century skills. Ontario should integrate workplace, digital, and critical thinking skills to the education system, starting as early as kindergarten.

In Working Paper 30, “The future is not destiny: CEO perspectives on realizing Ontario’s potential,” the project team (the Institute and Boston Consulting Group) present findings and Big Ideas from 33 interviews with CEOs and Futurists (those who spend the majority of their role thinking about trends of the future, particularly around technology).

REVISE THE FUNDING AND EVALUATION STRUCTURE OF EMPLOYMENT ONTARIO PROGRAMS TO ENSURE THEY ARE ABLE TO ADAPT AS THE LABOUR MARKET SHIFTS.

Employment Ontario should consider moving to a performance measurement system and funding model that focuses on more than just the placement rates of clients on exit. Adopting a long-term view of the impact of employment and training programs will improve service delivery and design.

In Working Paper 29, “The labour market shift: Training a highly skilled and resilient workforce in Ontario,” the Institute examines Ontario’s changing labour market and skills, employer-driven training, and government skills training programs. For Ontarians to remain resilient, they must be equipped with skills that are transferable across occupations and sectors.

SEIZE ONTARIO’S POTENTIAL BY FOCUSING ON THE 5 BIG IDEAS PRESENTED BY CEOS AND FUTURISTS.

One Big Idea from CEOs is to embrace lifelong learning in Ontario. The education system is not yet oriented toward producing 21st century skills. Ontario should integrate workplace, digital, and critical thinking skills to the education system, starting as early as kindergarten.

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END NOTES

4. Moreover, excluding youth in school makes sense because of the different labour market outcomes expected of high-school age youth that are attending school full time and face regulatory restraints on employment in certain industries, but nonetheless are alleged to distort labour market statistics for youth. Crees, Philip. “Serving Up the Reality on Youth Unemployment: How Rising Unemployment Among Teens Has Skewed Public Perceptions About Young People and Work.” Macdonald-Laurier Institute, 2015.
5. In the analysis, youth refers to non-students aged 15 to 29, unless otherwise indicated. This allows inclusion of the growing share of young people “who remain in education for longer and only enter the labour market in their late 20s.”
9. 2015 is the latest year for which Statistics Canada data on PSE enrollment and apprenticeships is available. Statistics Canada, CANSIM Table 477-0033 and CANSIM Table 000-0055.
10. These figures have been adjusted for inflation using the Consumer Price Index for Ontario. Statistics Canada, CANSIM Table 326-0021.
12. Using a methodology established by Statistics Canada, NEET youth are defined as Ontario residents aged 15 to 29 that are neither attending school “in a regular educational system” (part time or full time) nor employed (excluding summer employment). Youth attending “other schools” such as non-degree personal interest courses sponsored and operated by employers are not considered as students when analyzing youth NEET rates. Marshall, Katherine. “Youth Neither Enrolled nor Employed.” Statistics Canada Perspectives on Labour and Income 24, no. 2 (2012).
14. Carcillo et al., “NEET Youth in the Aftermath of the Crisis.”
15. ibid.
17. ibid.
22. Fully 62 percent of employers surveyed wanted entry level recruits to have one or more years of full-time experience, with co-op programs and other work-integrated learning the most common sources, with the financial sector most involved. Aon Hewitt. “Developing Canada’s Future Workforce: A Survey of Large Private-Sector Employers.” Business Council of Canada, 2016. A 2014 survey of Ontario employers found 53 percent of employers reported insufficient experience as main reason for not filling an advertised position; Lamb, Craig and Sarah Doyle. “Future-Proof: Preparing Young Canadians for the Future of Work.” Brookfield Institute for Innovation + Entrepreneurship, 2017.
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118 ibid.
119 ibid.
123 ibid.
124 ibid.
125 Newhouse, "A 19th Century Indian Act for 21st Century Objectives."
NOTES TO SIDEBARS


b Eskil, “Policy Performance and Evaluation: Sweden.”


d ibid.


g Organisation for Economic Co-operation and Development, “Investing in Youth: Sweden.”


k ibid.


m “The Spread of Gender Quotas for Company Boards.”


p ibid.

q ibid.
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Ontario’s Panel on Economic Growth & Prosperity is an arms-length, independent body that reports directly to the public. Its purpose is to measure and monitor Ontario’s productivity, competitiveness and economic progress, reporting its findings on a regular basis.

The Panel is the advisory body to the Institute for Competitiveness & Prosperity. The Institute is an independent not-for-profit organization that deepens public understanding of macro and microeconomic factors behind Ontario’s economic progress. Research by the Institute is intended to raise public awareness and stimulate debate on a range of issues related to competitiveness and prosperity. It is the aspiration of the Institute to have a significant influence in increasing Ontario and Canada’s competitiveness, productivity, and capacity for innovation. We believe this will help ensure continued success in creating good jobs, increasing prosperity, and building a higher quality of life. We seek breakthrough findings from our research and propose significant innovations in public policy to stimulate businesses, governments, and educational institutions to take action.

Comments on this report are welcome and should be directed to the Institute for Competitiveness & Prosperity. The Panel and the Institute are funded by the Government of Ontario through the Ministry of Economic Development and Growth. The views expressed in this report are the views of the Institute and do not necessarily represent those of the Government of Ontario.

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