

# Labour supply challenges for the NB Forest Sector: Why are they so persistent?

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# Pressures Faced by NB Forest Industry in 2007

- Aging workforce
- Skills mismatch
  - advanced skills and training upgrades for information technologies, advanced process technologies, etc...
- Lagging productivity
  - small sizes of firms limit scale economies and adoption of advanced equipment

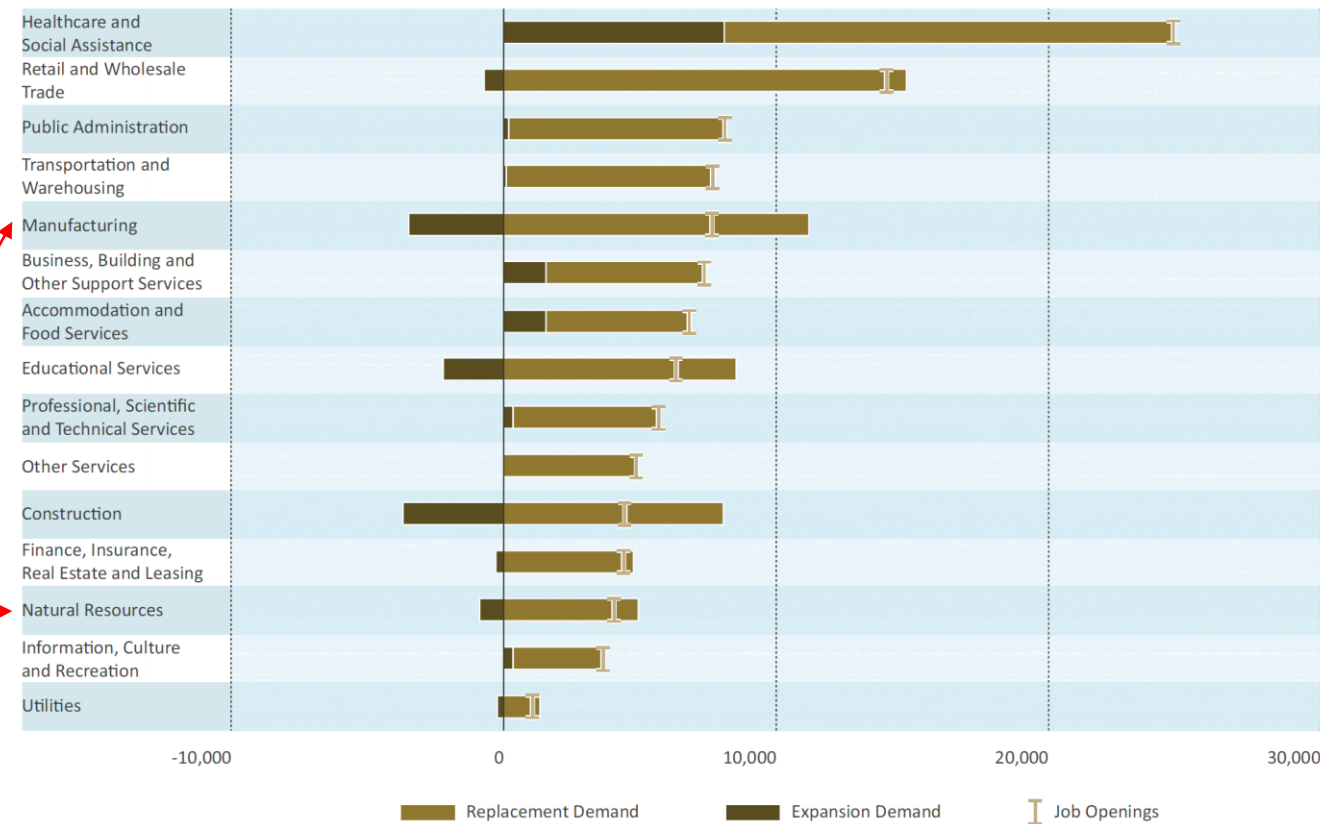


Why are we still talking about this in 2019?

# Aging Workforce/Worker Replacement

PETL Forecasts -- Replacement demand is the dominant issue for the NB Labour Market

Figure 29: Forecast – Job Openings by Sector (2017 to 2026)



You are  
here

# Skills Mismatch

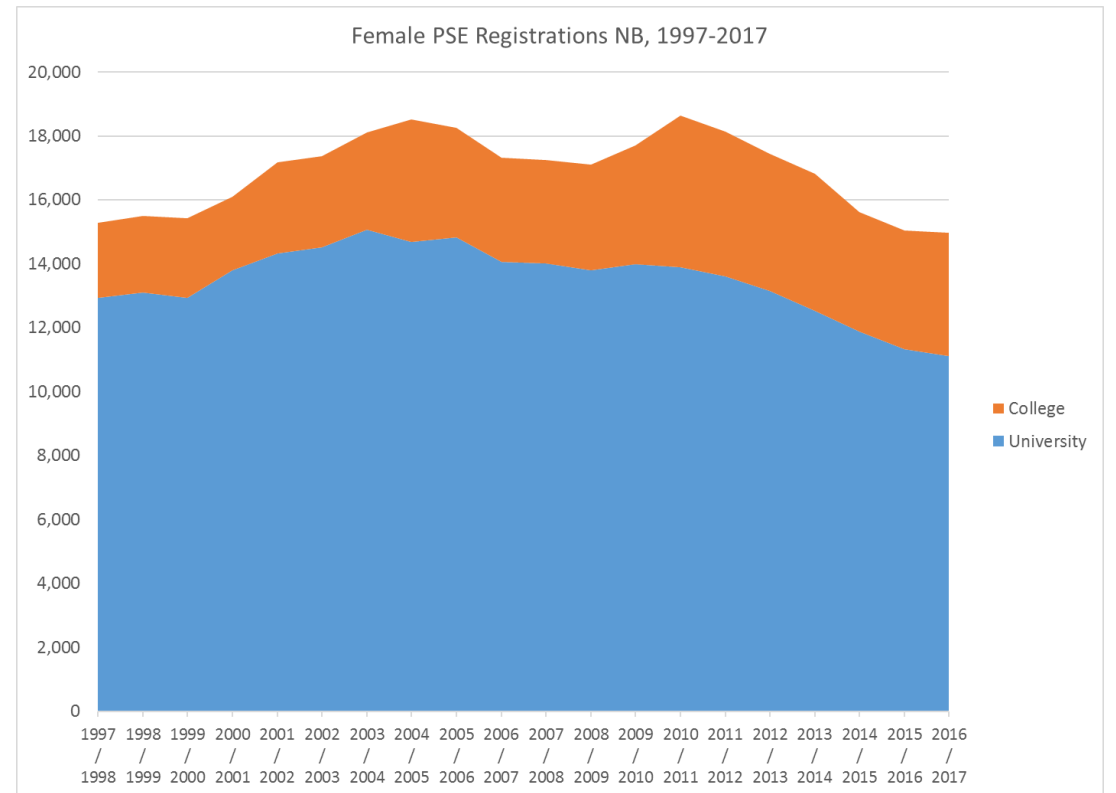
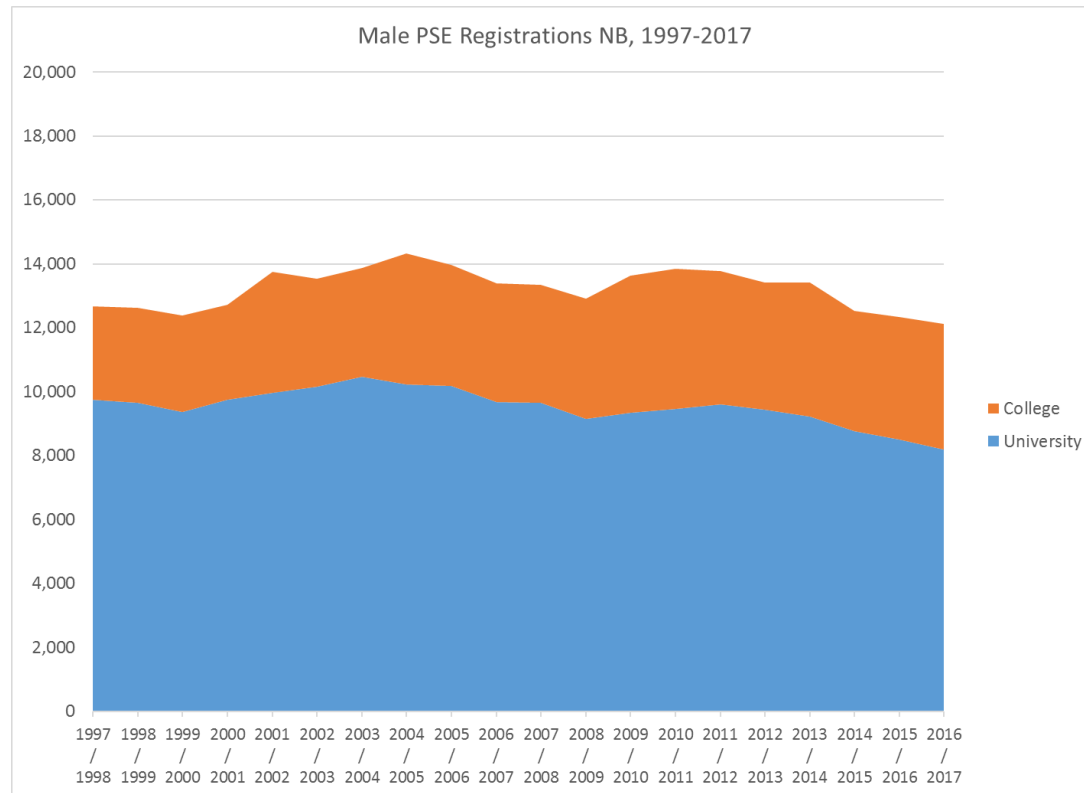
Overall, NB job openings won't require university education – need college, on the job training

**Figure 31: Forecast – Job Openings by Skill Level (2017 to 2026)<sup>15</sup>**

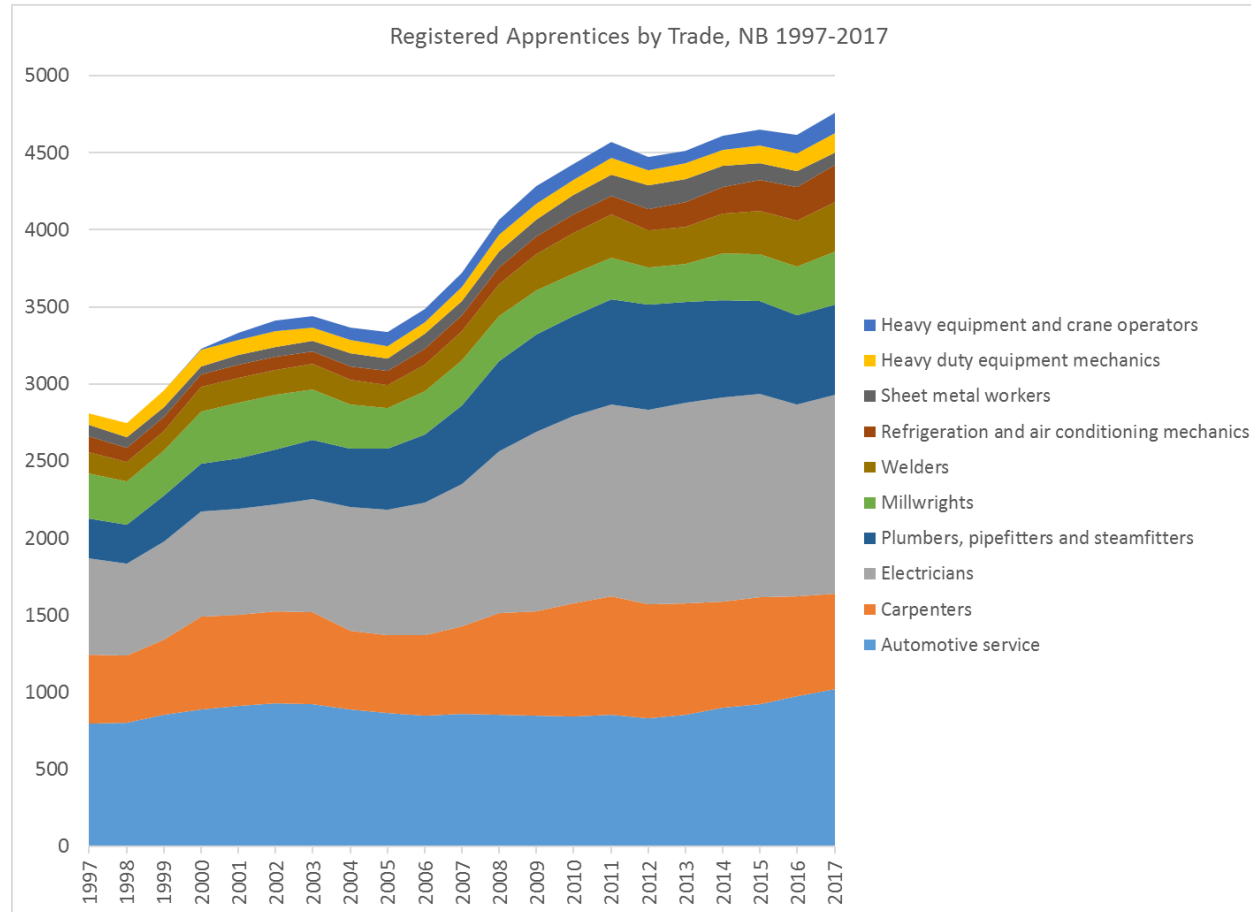
Skill Level		Top 101 High Opportunity Occupations	2017 Employment	Expansion Demand	Replacement Demand	Job Openings
<b>A1</b>	Management	29	32,280	50	15,205	15,256
<b>A2</b>	Professional: Occupations That Usually Require University Education	23	54,390	1,045	16,207	17,252
<b>B</b>	Occupations That Usually Require College Education or Apprenticeship Training	25	110,466	-1,268	36,514	35,246
<b>C</b>	Occupations That Usually Require Secondary School and/or Occupation-Specific Training	20	106,309	786	31,498	32,284
<b>D</b>	On-The-Job Training is Usually Provided for these Occupations	4	48,366	-258	10,785	10,526
<b>All Occupations</b>		<b>101</b>	<b>351,811</b>	<b>355</b>	<b>110,209</b>	<b>110,564</b>

# NB PSE focused on University

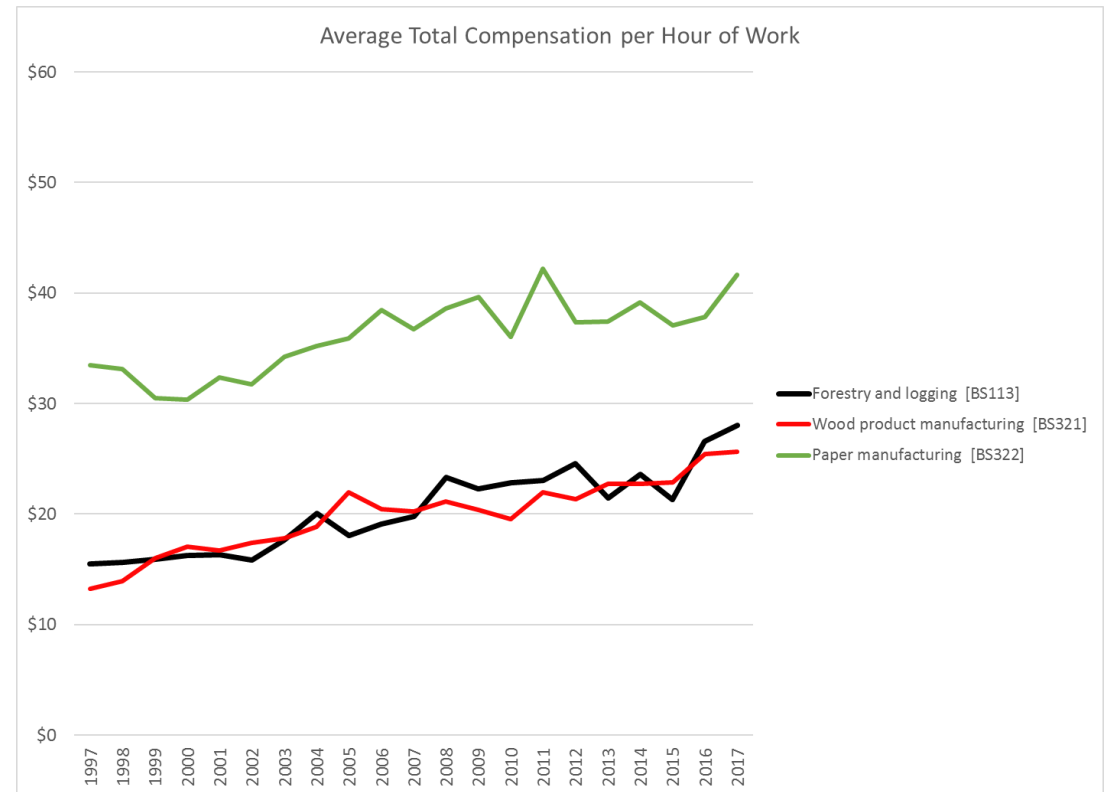
...and is skewed toward female participation



# Are apprentices aligned with Forest Sector labour needs?



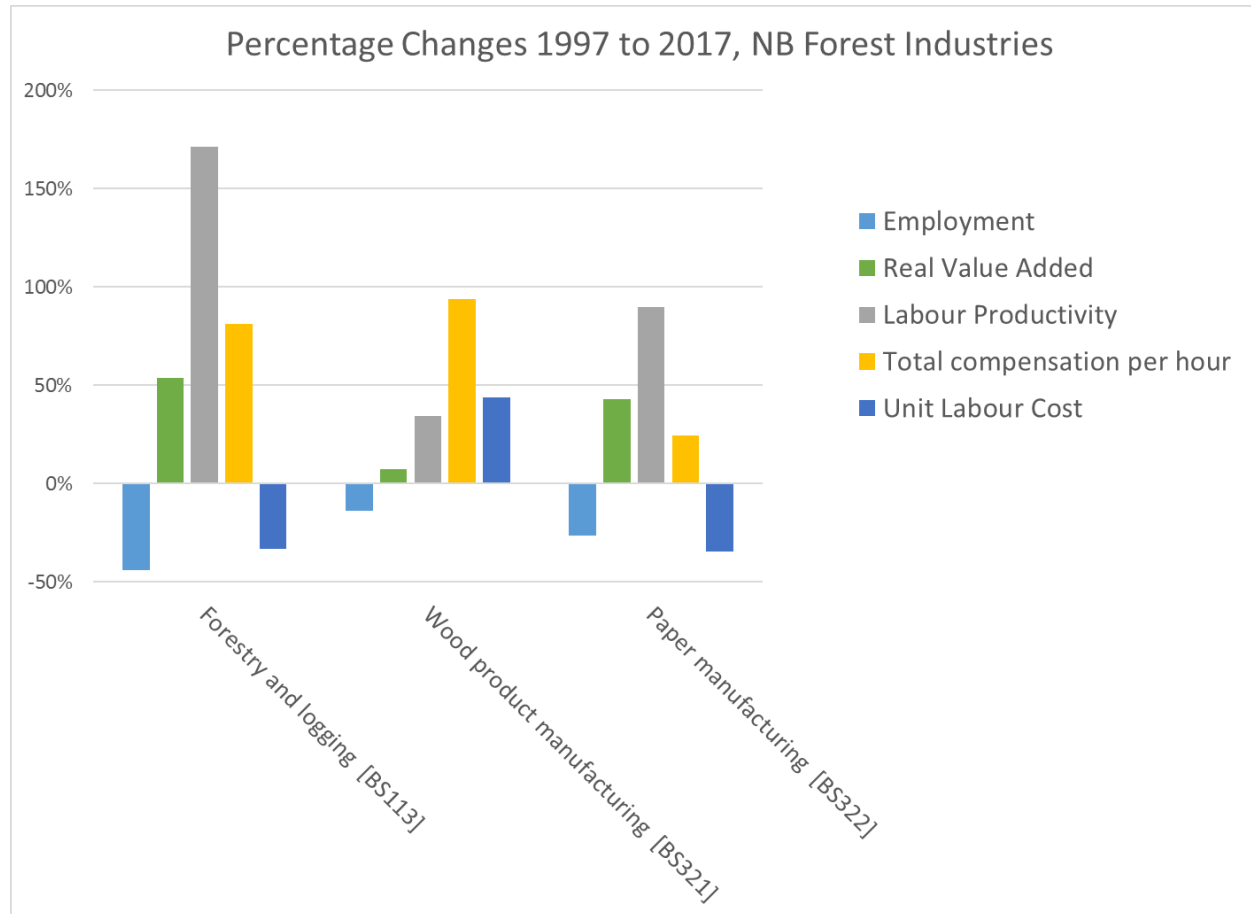
# Lagging Productivity?



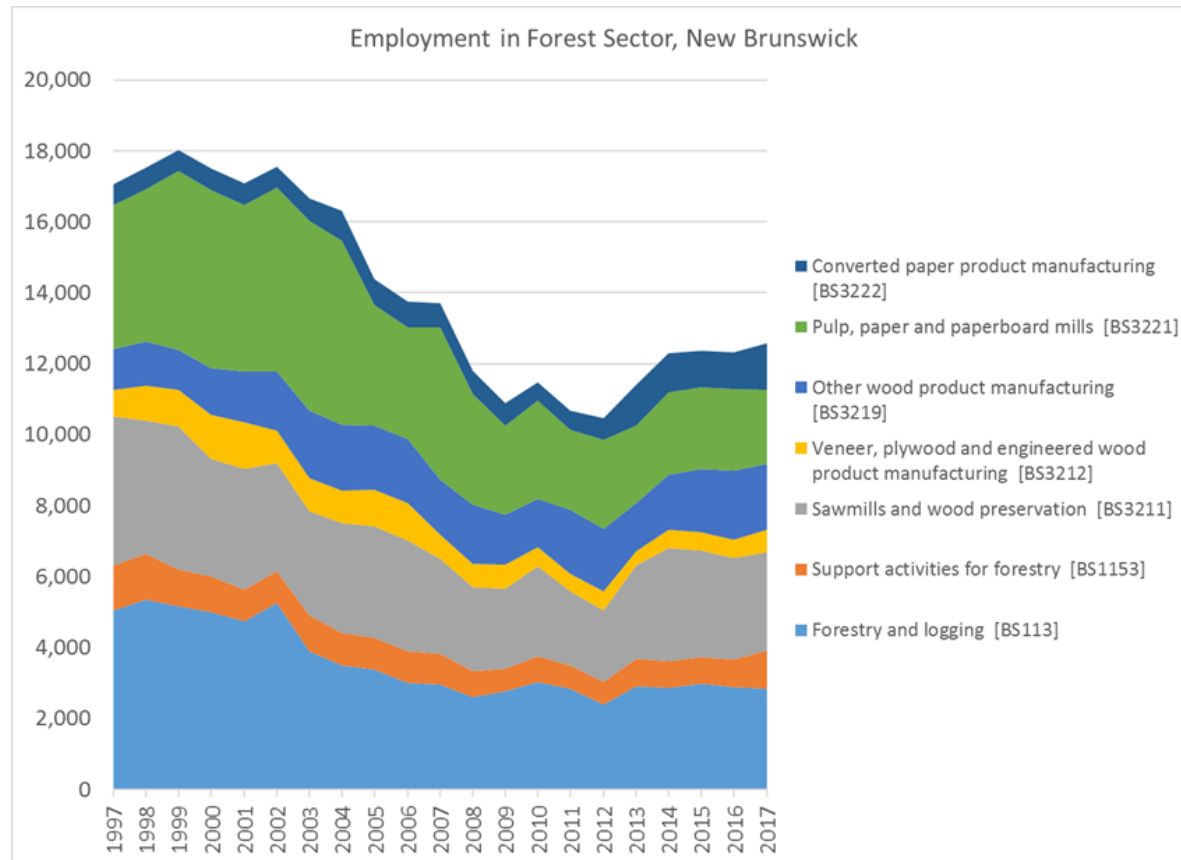


Productivity gains + lower employment raise real value added and wages... except in wood product manufacturing...

Changes over 20 years



# “Sunset industry” = labour shortages due to inability to raise wages



- Labour productivity levels, and growth, too low for firms to compete for labour
- Labour hoarding – lower wage, lower productivity firms have too many workers

# Two broad categories of labour shortage: “Disequilibrium phenomenon”

## **Cyclical/Transitory**

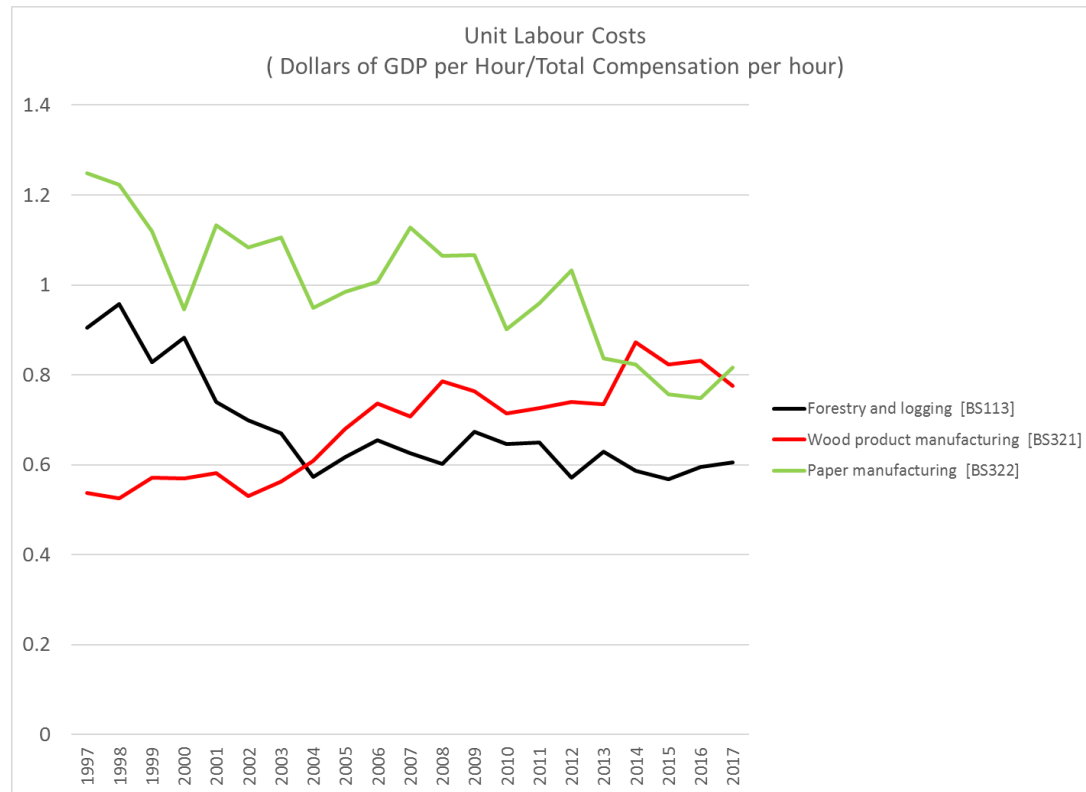
- Short run increases in demand or wage pressures
  - Competing for labour with the oilpatch/western Canada
  - exchange rate, energy costs, short lived increases in commodity price
- Wages should not rise unless sufficiently flexible to fall later

## **Trend/structural**

- Growth in supply out of line with growth in demand/productivity
  - Population aging
  - Population redistribution, rural to urban, north to south
  - Mismatch of education programs with labour market needs
- Wages should rise to resolve imbalance

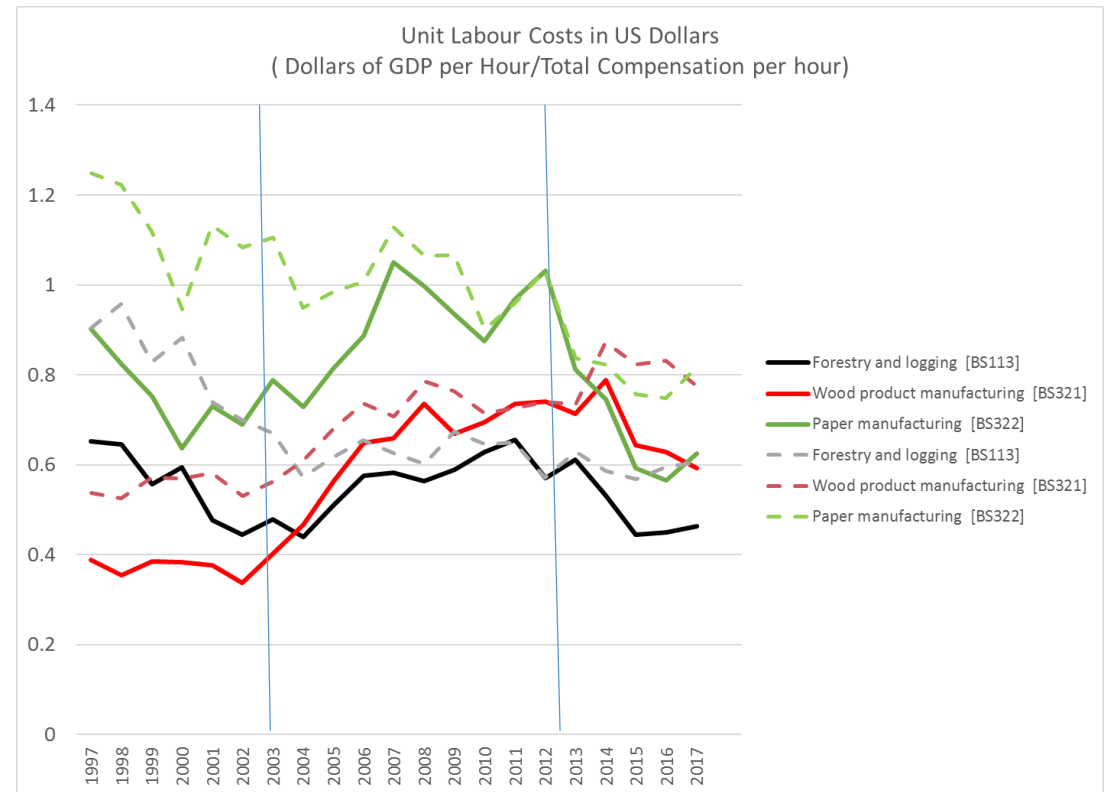
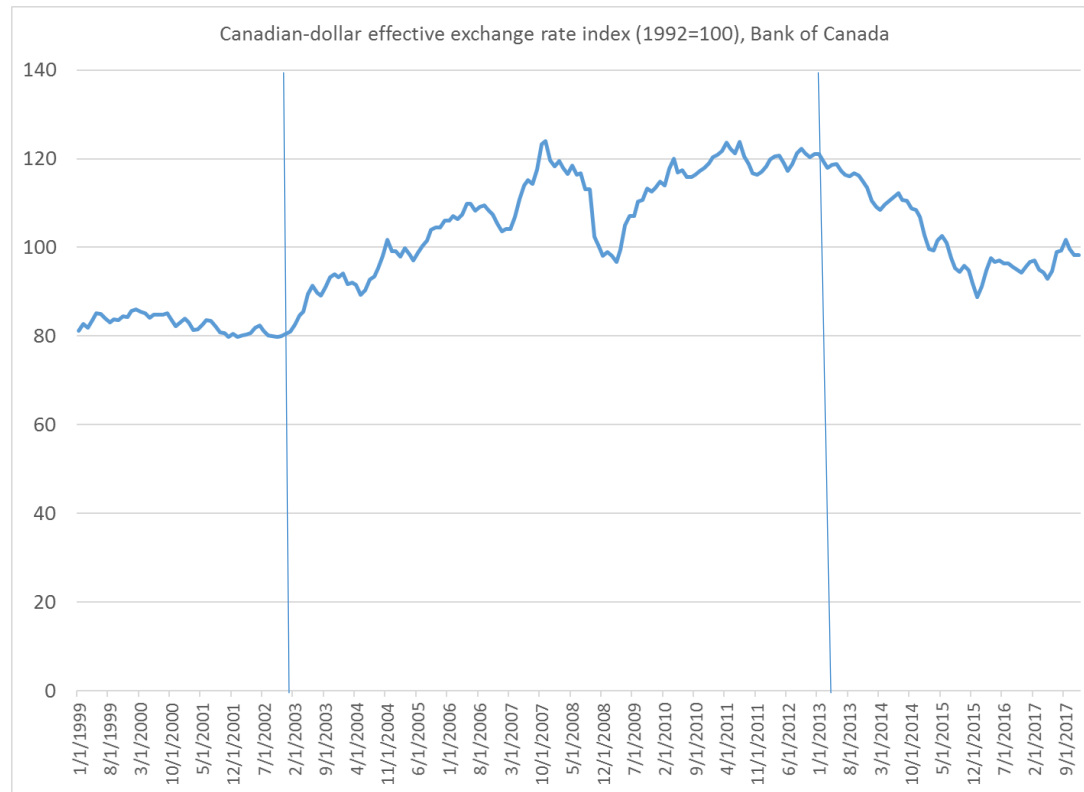
# Can wages rise given productivity levels?

Unit Labour Costs = 1 means all of revenue goes to paying labour

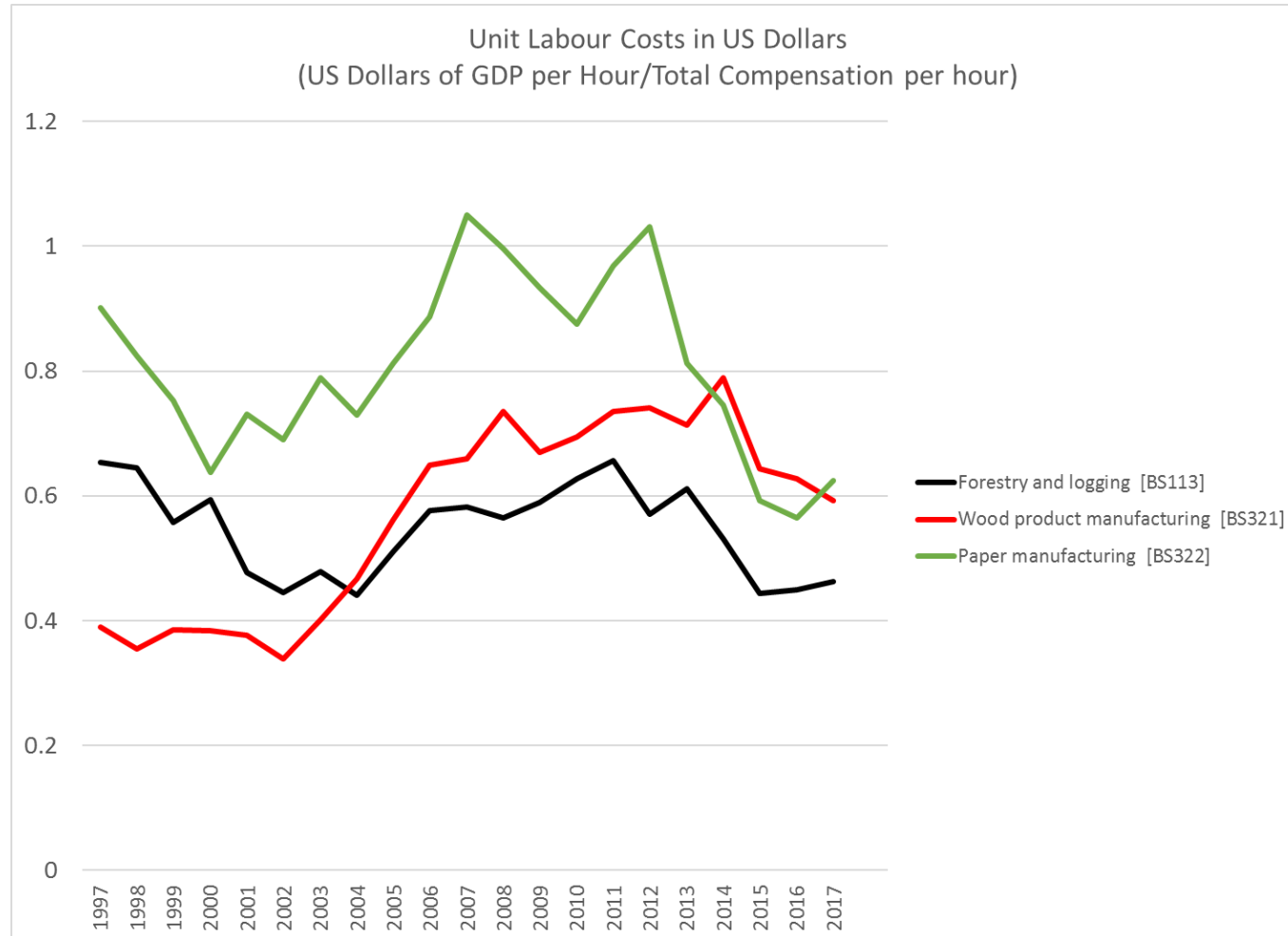


- No evidence here of room to raise wages
  - Pulp and Paper not profitable
    - Wages too high given productivity
  - Wood products manufacturing profitability falling
    - Wages relative to productivity rising
  - Forestry and Logging improves to sustainable level
    - 60% of GDP to labour compensation

# But these are export oriented activities – compare unit labour costs in USD



# Unit labour costs in USD – industry struggles after 2003 driven by terms of trade



- Possibly room to raise wages but:
  - Driven by cyclical influence of EX Rate
  - Wages are not downward flexible
    - Suggested by post-2004 employment adjustments
      - Wages did not fall in response to EX rate and other energy cost pressures.

# So where does that leave us?

Challenges: Aging workforce and Skills mismatch Lagging productivity

- Wages will have to rise to attract labour, or reduce labour demand
  - Productivity growth and/or exchange rate and other costs influence capacity to raise wages
  - We need more flexible wage contracts to adjust to cyclical influences like exchange rate
- Expand supply of skills available at existing wage levels
  - align PSE and training with labour market needs today rather than historic program sizes
- Address “labour hoarding”
  - plant/firm closures free up labour for competitive firms that can pay higher wages
    - 2007 - “small sizes of firms limit scale economies and adoption of advanced equipment”