

OPINION

The Prosperity Problem: Don't fix the labour crunch, embrace it

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Along with almost every other developed nation, Canada is experiencing severe labour shortages. We have known for decades that this was coming: with a birth rate well below that needed to maintain a stable population, it was clear that eventually there wouldn't be enough young people entering the labour force to replace those who were retiring from it. "Eventually" is now.

Nurses are forced to work harder and longer because there are so few of them. There are shortages of manufacturing and construction workers. Fifty-five per cent of high-tech entrepreneurs say they can't recruit the workers they need to grow.

Some of the worst shortages can be found in low-paying jobs that require relatively few skills and little education. The Liberal government's approach to filling those shortages has been to lift many of the restrictions on importing temporary foreign workers. In recent years, growth in this sector has been explosive.

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Ottawa clearly believes this is the solution to labour-market shortages in relatively low-skilled occupations. But Ottawa is wrong.

What the federal government diagnoses as a problem is in fact a solution. Restricting temporary foreign workers would buoy wages in Canada – and increase the pressure to boost productivity. We don't need more people coming to Canada to work in restaurants and nursing homes. We need smarter restaurants and nursing homes.

The Prosperity Problem

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Data compiled by Mikal Skuterud, a professor of economics at University of Waterloo, show that in 2014, the last full year before the Liberals came to power, just over 25,000 Labour Market Impact Assessment positions for temporary foreign workers were approved. By 2023, the number had skyrocketed to almost 200,000.

The government also increased the flow of international students coming into the country and increased the number of hours they were allowed to work while studying. There are now more than a million international students in Canada, many of them working full-time while attending private colleges that in some cases offer little to no real education.

According to Statistics Canada, the total non-resident population on July 1 of last year had reached 2.2 million souls, a 46-per-cent increase from the year before.

Low-skilled workers from abroad compete with low-skilled workers already in the country, which is the reason wage increases in Canada have overall not kept pace with inflation. Easy access to temporary foreign workers allows employers to rely on cheap labour rather than invest in automation, or otherwise innovating. To quote from a 2022 report from the Institute for Research on Public Policy:

“For economists, labour shortages are an opportunity to be embraced. Competition for scarce workers forces employers to use existing workers more efficiently, by, for example, offering longer hours for those willing, introducing new technologies that may be complementary to the tasks of workers, and investing in employee training, thereby raising skills and labour productivity. To compete for workers, employers will be pressured to enhance their wages, benefits, and working conditions, thereby making the least desirable jobs less odious.”

While the growing population contributes to overall economic growth in gross domestic product, inflation-adjusted GDP per capita is in decline. There are more of us every year, but every year we become collectively a little poorer. As a report from the Business Council of British Columbia observed: “The government’s strategy is like believing Christmas dinner will be made easier if you invite more people because they can help with the washing up.”

The federal government should continue to aggressively recruit highly skilled permanent residents, who not only fill labour shortages in productive, well-paying jobs but who also contribute to economic growth and productivity. For example, numerous studies have demonstrated that immigrants are more likely to start up new businesses than the native-born because they are more comfortable taking risks.

It is time to reverse our thinking about the labour shortage: a scarcity of workers will create needed pressure on businesses to innovate, and to create a higher-wage economy.

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