

## Backgrounder

### Government documents show claims of an acute “labour shortage” based on mathematical fiction

The claim that Alberta will be short “114,000” workers has appeared so many times in industry and media as to appear an unassailable truth.

Labour shortage claims used by industry, government, and media are based on “Alberta’s Occupational Demand and Supply Outlook.”<sup>1</sup> Government changed their method of calculation from a straight-ahead supply/demand ratio to a strange and obscure calculation designed to show acute shortages where none actually exist.

#### Overview of AFL findings

- The Government of Alberta changed a method in their analysis of labour markets in 2009
- A result of this change is that even though supply of labour exceeds demand, there’s still be a “shortage” if demand grows faster than supply
- This method appears to be highly unusual
- Using conventional, common-sense supply and demand calculations, the oft-cited “potential 114,000 shortage of workers” evaporates into a surplus of 27,000 workers by 2021.

#### How does the government calculate a labour shortage or surplus?

Until 2009, the Government of Alberta used a straightforward comparison of supply and demand for labour to determine a labour shortage or surplus.

*“Once occupational demand and supply have been projected, a simple ratio of demand/supply is calculated to measure imbalances. In an ideal or balanced labour market the ratio is one, whereas a ratio of greater than one indicates a potential shortage, as demand is greater than supply.”*

- Government of Alberta, 2005, “Alberta’s Occupational Demand and Supply Outlook 2005-2015”

The government changed methods in 2009 to a seldom-used formula: Labour shortage = (Demand [year t+1] – Demand [year t]) – (Supply [year t+1] – Supply [year t])

Normally, when supply exceeds demand, there is a surplus. However, according to the government’s calculations, because supply doesn’t **grow** as fast as demand, there is a shortage.

#### What do the government’s figures really show?

The government’s projections show the supply of labour **exceeding** the demand in every year up to 2021. That is, the government’s projections show a labour surplus in every year through 2021.

#### Government’s method versus actual labour shortage or surplus

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Demand (000s)	2,016	2,071	2,123	2,176	2,232	2,294	2,360	2,415	2,472	2,522	2,568	2,623
Supply (000s)	2,157	2,196	2,241	2,288	2,337	2,392	2,449	2,496	2,543	2,580	2,611	2,650
Actual Annual <b>Surplus</b>	141,000	125,000	118,000	112,000	105,000	98,000	89,000	81,000	71,000	58,000	43,000	27,000
Government’s method yields A shortage		-15,814	-6,397	-6,997	-6,746	-7,279	-8,638	-8,100	-9,909	-12,419	-15,145	-16,834

Using the government’s projections for supply and demand, a simple calculation shows a labour surplus for every year through 2021.

However, government methods show a labour shortage in every year even though supply exceeds demands and projects a cumulative shortfall of 114,000 workers.

<sup>1</sup> <http://employment.alberta.ca/documents/occupational-demand-and-supply-outlook.pdf>

***Do other governments use the same method?***

Alberta Federation of Labour researchers were unable to find other governments using the same formula. The government of British Columbia and Saskatchewan both use a straightforward supply minus demand formula.

***What are the public-policy consequences of such misleading calculations?***

The government's 'labour shortage' figure of 114,000 unfilled jobs by 2014 has been used to justify myriad policy changes, including the recently expansion of a Temporary Foreign Worker pilot project whereby employers do not have to give first crack to Canadians for well-paying jobs in the oil patch.

***What are the real numbers? Is there a labour shortage?***

There are some high-skilled occupations that are under pressure due to the red-hot pace of development in the oil sands. However, the AFL contends that labour shortage fears are overblown and designed to put downwards pressure on wages.

Statistics Canada data show 5.6 unemployed Canadians for every unfilled job. There are also 15,600 unemployed tradespeople in Alberta alone as of May this year (Statistics Canada, *The Daily*, July 18, 2012, and CANSIM Table 282-0009).

***Who uses the "shortage of 114,000 workers" figure, and what do they use it for?***

The possible shortage of 114,000 workers is used all the time: by industry, government, and media. The figure has become short-hand for the reason we need to expand the Temporary Foreign Worker Program.