

Your Business ... Your Burlington

Conference Board economist predicts a shortage of workers

BURLINGTON Canada will be facing a labour shortage as soon as 2013, says the Conference Board of Canada's chief economist.

Glen Hodgson warned a local business audience Thursday morning that a shortage of workers will cause upward pressure on wages and, coupled with a strong loonie, will push employers to become ever more productive.

That effect is already being seen in some parts of the country where high oil prices have turned Alberta's economy red hot, and forced even fast food chains to offer up to \$15 an hour for staff.

The impact will be slower hitting Ontario, but it will be felt, he added.

"Canada is right at the transition point between having a labour surplus and a labour shortage," he said. "We will be in a labour shortage by 2013 and that's going to mean chronic pressure on wages."

Hodgson told a meeting organized by the Burlington Economic Development Corporation several factors are combining to drive Canada's economy forward, including the slow but steady acceleration of consumer and business confidence in the United States, high oil prices, the slow but measurable recovery of manufacturing and government commitments to balance their books and eliminate deficits.

For Ontario, Burlington and its surroundings, Hodgson said the most important factor will be the slow revival of the American economy, the destination for so much of what is produced here.

Much of the economic boom in the first decade of the century was driven by Americans on a wild spending spree of consumption, much of it financed by taking equity from their homes. At the same time there was a boom in housing sales as banks flooded the market with subprime mortgages given to people without the jobs to pay for them. That ended with a resounding crash in 2008 and those consumers are only slowly opening their wallets again.

"Americans are buying cars again," Hodgson said. "Americans really feel they have been wounded so it will be a long time before they start spending beyond their paycheques again."

The housing market, he added, likely hasn't hit bottom yet.

In a normal year, 1.4 million housing starts would be a good average for the U.S. but current activity suggests only 600,000 starts this year as the market remains glutted with homes being sold in foreclosure actions. In some markets, such as Las Vegas, housing values have fallen by as much as 60 per cent.

"Today, 10 million Americans are still underwater with their mortgages, so there's no turnaround in sight," he said.