

Wellington County



Characteristics and Trends

Executive Summary

This study examines the Manufacturing Sector in Wellington County and its ongoing recovery from the 2008 recession. An analysis of the economic data confirms that this Sector continues to be a significant contributor to the local economy.

These statistics considered in light of the views of national industry leaders and local manufacturers (gained from interviews) have led to a series of recommendations to ensure the Sector's ongoing growth.

In 2010, Wellington's Manufacturing Sector was comprised of 678 business establishments, including a mix of firms of various sizes. While these firms account for only 4.5 percent of Wellington's total businesses, collectively they make a significant contribution to the County's economic base.

In 2008, the revenue generated by Wellington County's Manufacturing Sector was \$7.1 billion. Wages and salaries paid by the sector exceeded \$1.1 billion, and the cost of materials and supplies purchased for production surpassed \$4.1 billion.



the Manufacturing Sector in Wellington County is experiencing resurgence in labour force demand

While Wellington's Manufacturing Sector has experienced both employment and revenue declines, of greatest concern is the Sector's drop in the value it adds to the production process. Between 2004 and 2008, the Sector's total value added declined from \$4.2 billion to \$2.8 billion, and value added per worker declined from \$167,152 to \$121,569. In light of competitive pressures, it is critical that the value added per worker increases, as this is a reflection of improved productivity.

Discussions with local manufacturers and other stakeholders as well as an analysis of job postings resulted in an observation that the Manufacturing Sector in Wellington County is experiencing resurgence in labour force demand, however, there appears to be two streams of workforce requirements:

1. lesser-skilled, entry-level general labourer positions at a lower level of salary and
2. an increasing demand for more highly skilled tradespeople within a tightening labour market.

Often, entry-level educational requirements are minimal with the required training being provided by the manufacturing companies themselves. This may be a cause for future concern as local manufacturers face fierce competition from countries with abundant labour, low wages, undervalued currencies and often fewer regulations in areas such as health and safety and the environment.¹

¹ Industrial Transformation: The Case of Northern Carolina, TD Economics Special Report, June 22, 2011, p. 2

Findings and Recommendations

The importance of a knowledge-based workforce is consistently cited as crucial to national and corporate prosperity. With a significant percentage of manufacturing enterprises in Wellington County relying on low-skilled employees working as general labourers or production assemblers, increasing the competencies of the workforce is vital to the long-term stability and growth of the Manufacturing Sector in Wellington County.

As a result of the lack of opportunity for advancement within some of the smallest companies we spoke to, it would appear that a general labourer wishing to advance their career may have to seek employment at a larger manufacturer where more opportunity for in-house training is available. The individual could then, potentially, leverage that experience to attain employment at yet another company offering apprenticeship opportunities. The individual seeking advancement incurs the disruption of employment and the previous employer incurs not only the loss of talent but also bears the cost of ongoing recruitment and training.

increasing the competencies of the workforce is vital to the long-term stability and growth

In their report, *“Invest to Grow: Technology, Innovation and Canada’s Productivity Challenge”*, the Canadian Manufacturers and Exporters identified three inter-related issues that help determine the innovative capacity of a country’s workforce:

1. What are the competencies of the labour force?
2. Do businesses and other organizations have access to personnel with the skills, expertise and experience they require now and in the future?
3. Do businesses and other organizations have the leadership, managerial expertise, and workforce capabilities they need to achieve new and changing operational objectives?

All three issues, they contend, “underline the importance of investments in education, skills training, improved work practices and workforce development”.² All three issues are relevant for manufacturing in Wellington County. We can examine each of these three issues individually:

- Competencies of the labour force
- Access to personnel with the skills, expertise and experience they require now and in the future
- Leadership, managerial expertise, and workforce capabilities needed to achieve new and changing operational objectives



² Invest to Grow: Technology, Innovation and Canada’s Productivity Challenge, Canadian Manufacturers and Exporters, October 2010, p. 12

Competencies of the labour force

Extensive work has been done by government and educators to identify and analyze the Essential Skills required for entry-level workers in over 300 occupations. Skill requirements have been benchmarked in areas including literacy, numeracy, computer use, document use as well as thinking skills including the ability to prioritize and problem-solve. Four or five skill levels have been established for each Essential Skill. This framework of core competencies can be used to develop job descriptions, assist in recruitment and selection of suitable employees, guide employee development, and the establishment of workplace training programs.

Linamar Corporation is providing an excellent example of the use of Essential Skills as a workforce development tool. Using Essential Skills assessments to benchmark an employee's existing level of skill, online training is made available to increase the employee's skill.

using Essential Skills as a means to increase the competencies of their workforce

As Essential Skills are imbedded in job descriptions within Linamar Corporation and their affiliated companies, an individual could identify their career objective, identify the required Essential Skill levels, and work on the skill development necessary to attain their goal. The positive outcome derived from this pilot project, offers corporations a roadmap for using Essential Skills as a means to increase the competencies of their workforce.



Access to personnel with the skills, expertise and experience they require now and in the future

- Employers in Wellington County consistently pointed to the importance of work ethic and manufacturing experience as keys for success within their operation. Experienced workers affected by job loss often possess these qualifications but are unable to communicate or demonstrate these qualifications to a potential employer. Employers may not readily see how these seasoned workers can contribute the very interpersonal qualities and know-how they are looking for. By assisting displaced workers to better quantify and demonstrate the value of their experience, services supporting unemployed adults could assist them to re-enter the workforce more quickly. At the same time, employers should be encouraged to consider the value experienced older workers bring to their workplace.
- As small business is often considered the engine of economic growth and job creation it is necessary to explore alternative means for these enterprises to meet apprenticeship training requirements. In Wellington County, 74.7 percent of all manufacturing businesses employ less than 20 people and it is these small companies, often the originators of new innovation, who may have the greatest need for a multi-skilled employee. Despite the flexibility of the Ministry of Training, Colleges and Universities, the ability of small manufacturing companies to tap into the apprenticeship system can be constrained because of the limited range of equipment and processes used within their facility. Those in a position to encourage education, workforce and economic development should consider creative solutions including offering applied training within educational facilities and/or a possible shared coordination role that would allow the apprentice to gain the exposure to equipment and processes that would fulfill the apprenticeship requirements.
- Similarly, the recommendation of the Training Gap Analysis report completed by the Workforce Planning Board of Grand Erie suggesting that the Plastics and Rubber Sector Council and provincial workforce planning boards (local boards) play a coordination role to catalyze further investigation into the need for an apprenticeship program in the Plastics and Rubber Manufacturing Sector should be pursued. This coordination role is required because of the lack of a common voice for small to medium-sized businesses predominant within the sector.
- The growing number of journeypeople seeking dual certification in a second trade may point to the need for upskilling initiatives allowing journeypeople to obtain the specific knowledge and skills required by the employer more quickly than participating in a second apprenticeship. By making this targeted training available through short-term training interventions, the training may be more accessible to a wider range of journeypeople and allow the company and journeyperson to access and benefit from the skill acquisition more quickly.

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Leadership, managerial expertise, and workforce capabilities needed to achieve new and changing operational objectives

- Analysis of workforce development requirements within a region often focuses on the shifting and increasing knowledge and skill requirements of workers. However, skill requirements of leaders and business owners also shift to reflect the changing business environment. Business owners must be equally as adaptive as their employees. Industry associations and economic development officers can often identify valuable resources and available assistance.
- The significant number of job postings for general labourers where secondary school or less is the only educational requirement is of concern. This would suggest that the Wellington County manufacturers may be vulnerable to fierce competition from countries with plentiful labour, low wages, undervalued foreign currencies and minimal environmental and health and safety regulations. Economic development professionals and Manufacturing Sector organizations must continue to communicate to these companies the business case demonstrating the return on investment resulting from expanded and/or highly-specialized products and services made available to local, national and international markets.

job postings for general labourers where secondary school or less is the only educational requirement is of concern

- In retrospect, one of the contributors to the economic hardship and job loss in many areas of Ontario during the 2008 recession was our reliance on large, traditional manufacturing industries. Wellington County was able to avoid some of this pain because of the diversity of industry within the local Manufacturing Sector. In addition to this diversity, the economy of Wellington County overall, including the Manufacturing Sector, is dependent on small and medium-sized enterprise. Within a country that has declared 2011 as “The Year of the Entrepreneur”, growth of these enterprises presents real opportunity. In Canada, 37 percent of all new private sector jobs created over the past decade originated in small firms.³

Wellington County should do everything possible to support and catalyze the growth of these small and medium-sized companies. **Ilse Treurnicht, Chief Executive Officer of MaRS Discovery District**, made the case during her presentation to the Economic Club of Canada on March 2, 2011, when she observed that, while some companies elect to stay small and others may fail, we must find ways to advance the companies that survive and show growth potential. We need to amplify their success and recognize that broadly-based programs in support of small and medium-sized businesses may not be the best policy instruments to optimize job creation. It is not a one-size fits all formula. While many measures are national in scope, there are actions that can be taken at the local level to help including assisting firms to consider not just more research and development, but how to get connected to customers early and expand marketing and sales.⁴ This information-sharing, education and networking function is a role that can be performed by educators, industry associations and economic development officers within the region.



3 Address by Ilse Treurnicht, CEO, MaRS Discovery District to the Economic Club of Canada, March 2, 2011

4 Ibid.

In light of competitive pressures, it is critical that the value added per worker increases over time, reflecting improved productivity. The availability of a skilled and adaptable workforce is vitally important to manufacturers as they develop new products and services, integrate new technology and streamline processes.

Actions to create and maintain this workforce combined with strategic corporate, education and government leadership will ensure that the Manufacturing Sector remains an important contributor to the economic base in Wellington County.



Table 1 - Summary: Key Economic Statistics Manufacturing Sector Wellington County

	2008	2010
Total Number of Manufacturing Establishments	776	678
Owner Operated	253	227
1 to 4 employees	149	131
5 to 9 employees	104	88
10 to 19 employees	69	61
20 to 49 employees	81	71
50 to 99 employees	47	33
100 to 199 employees	36	32
200 to 499 employees	32	31
500+ employees	5	4
	2004	2008
Total Revenue from Goods Manufactured	\$8,442,016,000	\$7,150,872,000
Total Value Added	\$4,284,768,000	\$2,858,445,000
Value Added Per Production Worker	\$167,152	\$121,568
Total Number of Employees (direct and indirect labour)	25,634	23,513
Number of production workers (direct labour)	20,042	17,090
Number of non-manufacturing employees (indirect labour)	5,592	6,423
Total Wages and Salaries	\$1,224,083,000	\$1,174,846,000
Production workers wages (direct labour)	\$858,598,000	\$737,586,000
Non-manufacturing employees salaries (indirect labour)	\$365,485,000	\$437,260,000
Cost of Energy and Water Utility	\$136,472,000	\$151,517,000
Cost of Materials and Supplies	\$4,016,743,000	\$4,124,292,000

Source: Statistics Canada, Canadian Business Patterns and Manufacturing Principal Statistics

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The full technical report
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