

Special Report

— Canada's Evolving Jobs Market

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Employment Performance

Canada has enjoyed a stellar job creation record in recent years, ranking as one of the best in the industrialized world. Between 1998 and 2002, domestic employment growth averaged 2.4% annually, translating into more than 300,000 net new jobs per year. This is double the rate of payroll growth in the United States over the same period and has lifted the employment to population rate – an important indicator of labour market health – to record highs.

The extended hiring boom has been supported by solid economic fundamentals as well as new technologies that have boosted the demand for skilled workers. Our superior track record also reflects a rebound from the restructuring and consolidation efforts of the first half of the 1990s. The vast majority of these new jobs have been high quality full-time positions in the private sector.

On a sectoral basis, job growth has been broadly based, with the goods and services producing sectors generating a similar rate of hiring. The service sector, however, is considerably larger, employing roughly three out of every four Canadians. As such, services easily dominate in terms of the absolute number of new jobs.

Of the 20 major industrial sectors tracked by Statistics Canada, several stand out as clear outperformers. Leading the pack are business-oriented services (i.e. professional & technical services, management and administration), where annual employment growth averaged an impressive 6.0% between 1998 and 2002. This relatively large and diverse area encompasses a number of fast growing professions, including computer design, management services, consulting, architectural and engineering services, and temporary employment

agencies. A shift in business processes toward outsourcing and other contractual arrangements alongside changing technologies are likely major factors behind the rapid growth in business-oriented services employment.

Another outperformer is the construction industry. Benefitting from the multi-year boom in homebuilding and renovation activity, as well as a number of major capital projects, construction payrolls have increased at a 5.6% yearly pace since 1998. Importantly, this sector generates large hiring spinoffs to a range of business services such as architecture, engineering, surveying and landscaping, in addition to wholesaling, retailing and legal and financial services.

The arts & entertainment industry has been another important source of new jobs, with annual payroll growth of 4.6%. Strength is evident across the board, including performing arts, spectator sports, gaming and amusements. Rising disposable incomes, a consumer focus on

leisure activities and deregulation in the gambling industry have likely all contributed to this sector's above average performance.

The slightly larger information & cultural industry has also witnessed a better than normal hiring trend. Employment growth has averaged almost 3% annually over the past five years, led by software publishing, motion picture & sound recording and data processing. Industry rationalization, however, has restrained hiring in both broadcasting and telecommunications.

Hiring in the large public sector, on the other hand, has lagged noticeably, at least until recently. In health care, cutbacks in hospitals and nurs-



ing care have largely offset modest growth in the number of general and specialized practitioners. Likewise, there were only minimal employment gains at all levels of education and public administration over the past five years. The downturn in public sector hiring has had a significant impact on national employment rolls, representing almost one-quarter of all jobs in Canada.

Employment in traditional resource-based industries has also lagged the economy-wide trend. Mining payrolls were essentially unchanged between 1998 and 2002, with gains in oil & gas exploration offset by weakness in mining. Over the same period, forestry payrolls have been slashed by more than 6% a year, undercut by trade frictions and weak prices. These are the only two broad industries generating no net job growth during the past five years.

Hiring in the finance & insurance industry has also been below average, restrained by corporate restructuring and the growing popularity of automated and on-line banking services. Within this sector, there has been a notable shift away from traditional banking lines toward brokerage and insurance activity.

Manufacturing payroll growth, while slightly weaker than the industrial average, accounts for the single largest number of new jobs created. The pace of hiring has been slowed by technological improvements and the need to keep a tight rein on costs in the face of strong import competition. The related distribution industry has been a modest underperformer as well, with strength in pipelines and tour companies tempered by deep payroll cuts in the airline industry.

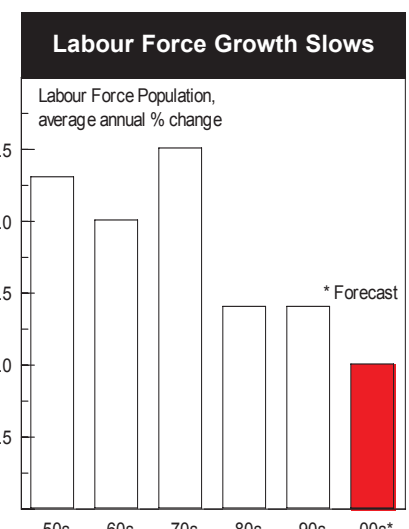
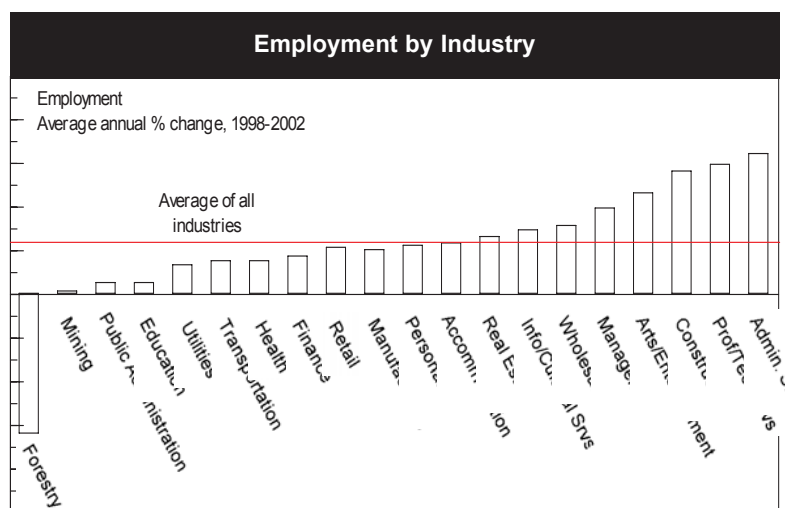
In general, hiring gains in retailing have lagged, most likely due to the growth of internet sales and the rising use of home computers for product research. Even so, there are some clear high-growth areas, including retailers of home-related products such as building materials and furniture, electronic sales and specialty stores. As with manufacturing, the large retail industry still generated one of the largest absolute increases in jobs.

Employment Prospects

We have identified five major drivers of job growth that may help identify emerging labour market opportunities.

Economic factors: A slower rate of growth in the Canadian economy over the next five years will constrain employment gains. We expect real GDP growth will average in a 2½-3% range over the 2003-2007 period, compared with an average advance of 4% from 1998-2002. This would be consistent with yearly job growth in the range of 1½%, or 200,000-250,000 net new jobs per year. Structural adjustments, related to growing import competition from low cost offshore producers, a stronger Canadian dollar and the continuing adoption of new technologies should limit employment prospects in some traditional areas such as manufacturing. On the other hand, many of these cost control efforts have positive employment implications for the growing business services industry.

Demographic factors: Labour force growth is expected to slow due to an aging population – the first wave of baby boomers are just now reaching the early retire-



ment age of 55 – and a plateauing in female labour market participation. This will provide opportunities for new labour market entrants, but will also result in skill shortages in some areas, particularly those with older workforces or higher educational requirements. Occupations at risk of shortages include health care workers (specialists, general practitioners and nurses), instructors (universities and colleges) and skilled construction trades. Occupations with the youngest labour forces include information-technology, engineers, occupational therapists and physiotherapists. In addition, many services that cater to an aging population, including health care, financial planning and leisure activities, could also experience above-average growth.

Fiscal factors: Recent large-scale funding commitments at both the federal and provincial levels point to somewhat better hiring prospects in health care and education. At the same time, stepped-up infrastructure outlays will support non-residential construction and related business services. Given the need to reallocate spending priorities, however, public administration will likely remain an underperformer.

Regulatory factors: Regulatory and/or policy changes can also have a direct impact on labour demand. For example, the implementation of the Kyoto Protocol will increase the need for workers with skills in environment-related fields, including technicians and analysts. Future trade related developments, such as a successful negotiation of a Free Trade Area of the Americas, would have spinoffs to legal and policy specialists. A resolution of current difficulties in

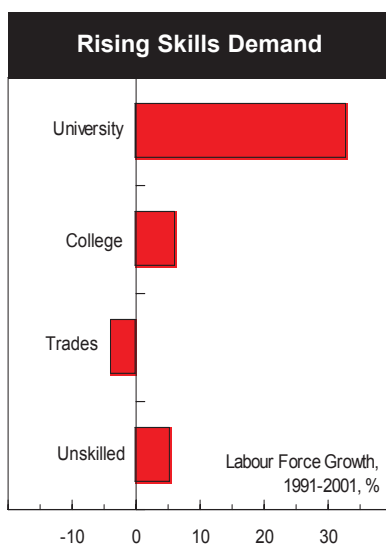
the forestry, fishery and agricultural sector is crucial to industry prospects.

Technological factors: Technological advances are continually altering existing jobs and creating new ones. Demand for skilled workers who can adapt quickly to new technologies will remain strong, as will development and application related services such as software development and multi-media.

Overall, these five driving forces point to a number of industries that offer the potential for better employment prospects, which are listed alphabetically in the box below. These includes both traditional and emerging sectors.

Market forces – growth and profitability – ultimately will determine the direction and momentum of Canadian employment trends. Regardless, the shift to higher skilled positions demanding higher levels of education is bound to continue, a reflection of the growing international drive to improve competitiveness.

To meet the challenges of a changing workforce, there are a number of actions businesses and governments can take. Greater use of flexible work arrangements would help attract and retain older workers and working parents. Co-op job placements, mentoring and on-the-job training would raise the practical work experience of younger employees. Skill shortages in some areas could be eased by more easily recognizing the professional credentials of immigrants, or by promoting trades and technical specialists as viable career options.



<i>Biotechnology</i>	<i>Environment</i>
<i>Business services</i>	<i>Financial planning</i>
<i>Construction</i>	<i>Health care</i>
<i>Consulting</i>	<i>Home care</i>
<i>Consumer services</i>	<i>Info-technology</i>
<i>Education</i>	<i>Leisure & recreation</i>
<i>Energy-related fields</i>	<i>Multi-media</i>
<i>Engineering</i>	<i>Skilled trades</i>

The Evolving Canadian Workplace

The Canadian workforce is aging. The average age of the labour force rose from 37.1 in 1991 to 39.0 in 2001. Within a decade, the potential exists for shortages in certain occupations as the population continues to age and fewer young people are available to replace retirees due to the low fertility rates of the past 30 years. The province with the highest average labour force age is Saskatchewan, followed by British Columbia. Alberta has the nation's youngest labour force.

The demand for skills is rising. Between 1991 and 2001, almost one-half of the growth in the labour force occurred in highly skilled occupations that normally require university qualifications, even though this group accounts for only 16% of the total labour force. Low skilled occupations requiring high school or less accounted for only a quarter of the increase, but 43% of the existing workforce.

Immigrants and women are an increasingly important source of labour force growth. Immigrants who arrived in Canada in the 1990s and were in the labour force in 2001 represented almost 70% of the total growth in the labour force over the decade, even though immigration accounts for only 20% of the total labour force. Based on current demographic trends, immigration could account for virtually all labour force growth by 2011. Women accounted for two-thirds of the growth in the labour force in the

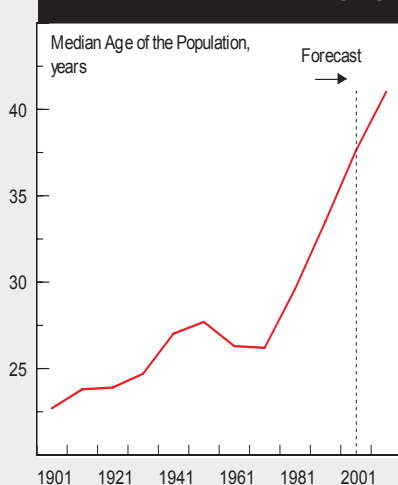
1990s, raising their labour force representation to 47% by 2001 compared with 45% in 1991. Women are making inroads into "non-traditional" and higher skilled occupations.

Suburban employment growth is outpacing gains in city centres. The number of workers in suburban municipalities has been growing much faster than those in city centres over the past 20 years (63% versus 8%, respectively), as many industries have created hubs in these areas. The majority of workers – 62% – are still located in central municipalities, but only 25% of newly employed. This divergence is most notable in the largest CMAs, including Toronto and Vancouver, and is leading to a change in commuting patterns towards/between suburbs, as well as longer commutes.

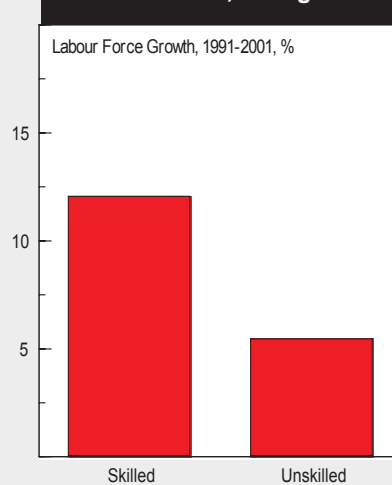
Working from home is on the rise, but is still quite small. The number of workers working from home is increasing, but they represent a fairly stable share of total workers (8% in 2001). Home-based workers are most prevalent in farming and child care.

Working abroad is on the rise, but is also quite small. A growing number of Canadians are working outside the country, but they represent a small fraction of all workers (0.5% in 2001). The highest proportion is for truck drivers, computer analysts & consultants, registered nurses and mechanical engineers.

Canada's population is aging



Skilled workers, immigrants ...



... fuel labour force growth

