One hundred years of labour force

by Susan Crompton and Michael Vickers

Alberta increased by over 400%, British Columbia by 120% and Manitoba by 80%.

The influx of immigrants had the desired effect: between 1901 and 1911, the labour force grew by 48%, or almost 1 million, rising to over 2.8 million workers. Immigrants made up nearly two-thirds of the new entrants to the labour force. The country would not experience such a phenomenon again until the 1950s.

As the new immigrants settled down to farm, wheat production soared, and rail traffic and shipping activity increased as wheat was moved to port for transport abroad. The growth of agricultural production also created new demand for machinery from factories in central Canada. Immigrants who settled in Ontario and Western cities like Winnipeg, Regina, Calgary and Vancouver became a key source of labour for the emerging industrial economy.

At about the same time that the agricultural potential of the Prairies was being realized, gold was discovered in the Yukon. Although the Klondike Goldrush of 1896 was short-lived, it spurred interest in metal and mineral exploration in British Columbia and northern Ontario. Seemingly inexhaustible metal and mineral resources, vast forests able to feed the demand for lumber and pulp and paper, and rivers to generate hydro-electricity to power new industries helped to build a modern resource-based economy in the early decades of the 20th century.

1. Newcomers came primarily from Britain and the United States, but about half a million people also came from countries in central Europe. However, the campaign attracted almost no immigrants from France. This triggered great uneasiness in Quebec, whose share of the national population was declining. McNaught, Kenneth. 1988. *The Penguin History of Canada.* 191-193.

CST What you should know about this study

This article draws on numerous data sources. Statistics Canada sources include the 1961 Census Monograph Series, the Labour Force Survey, the Analytical Studies Branch Research Paper Series, and unpublished data. Other sources include texts by historians and other academics. A full bibliography is available on the *Canadian Social Trends* website at http://www.statcan.ca/english/ads/11-008-XIE/index.htm

Data limitations

Current Canadian labour market concepts were introduced in 1946, when the Labour Force Survey (LFS) was first conducted. Labour force data prior to that year did not use concepts that were necessarily consistent with those of the LFS. Using data from the Census and other sources, researchers trying to “bridge the gap” between the pre-war and post-war periods have produced estimates that are broadly comparable; however, caution should be used in making comparisons between the time periods. For example, the peak Depression-era unemployment rates may represent an undercount caused by declines in union membership during those years. There also is no concept equivalent to the workforce before 1946.

Labour force: people who are employed and those who are unemployed but looking for work.

Workforce: people who are employed.

Employment rate: the percentage of people in a specified population group who are employed; for example, the number of working women aged 25 and over as a proportion of all adult women.

Unemployment rate: the percentage of people in the labour force who are without work but are looking for work and are available to work.

Earnings: income from wages and salaries from paid employment or self-employment.

Real earnings: earnings after the effects of inflation have been accounted for. In this article, real earnings are expressed in 1997 dollars.

Gross Domestic Product (GDP): the total dollar value of goods and services produced by the market economy. This measure does not include the value of unpaid work, such as volunteer work, childcare, eldercare, and so on.

Goods-producing industries: includes the following major industry groups: agriculture; forestry; fishing and trapping; mining, quarrying and oil extraction; manufacturing; and construction.

Services-producing industries: includes the following major industry groups: transportation and communication; public utilities; retail and wholesale trade; finance, insurance and real estate; community services (includes health and social services, and education), business and personal services; and public administration.

Organized labour in Canada

In the early 1900s, organized labour in Canada was still in its infancy, partly because large-scale immigration flooded the labour market with workers willing to accept low wages. Although early unions were able to exercise collective strength through strikes, they had little legal standing and were sometimes dealt with violently by employers and governments alike.

Union membership increased during the First World War, while workers' real wages were eaten away by inflation. Rising anger culminated in the 1919 Winnipeg general strike, during which 35,000 workers belonging to 50 unions paralyzed the city for six weeks. The strike ended only after a bloody clash between police and strikers that left two marchers dead and more than 30 injured.

In the 1920s, mass-production industries such as appliance manufacturing and automobile assembly grew rapidly, but workers in these industries remained difficult to organize. Union membership dropped from 16% of the non-agricultural workforce in 1920 to 14% in 1930. The Depression further weakened unions, but by the late 1930s militant new unions were having some success. They organized workers in the new mass-production industries using tactics such as sit-down strikes and factory occupations. Union membership increased considerably during the Second World War, rising to include 24% of the workforce by 1945, as unions won major concessions from labour-strapped employers.

With these underpinnings, Canadian unions were able to take advantage of the postwar economic boom. Membership nearly quadrupled between 1940 and 1956.[1] Much of the dramatic growth during this period resulted from legislation that recognized unions and enforced collective bargaining agreements. Also, the "Rand formula" provided financial security to unions by requiring that all workers in a unionized bargaining unit pay dues, whether or not they are union members.

As industrial workers came to account for a smaller share of the overall workforce (the overall unionization rate fell from 34% in 1955 to 30% in 1965), unions found new members among white-collar workers, particularly those in the public sector.

In 1999, the national unionization rate was 33%, representing 3.9 million Canadian workers. The rate for men had declined to 34%, from a peak of 41% in 1967; but for women, the rate had risen steadily from 16% in 1966 to 32%. Unionized employees earned more per hour than non-union workers did.[2] Unionization is highest in the public sector: three-quarters of public sector employees are unionized, versus one-fifth of employees in the private sector. Quebec and Newfoundland have the highest unionization rates (40% of the labour force is covered by a collective agreement), while Alberta has the lowest (26%).

- For more information, see C. W. Riddell, *Unionization in Canada and the United States: A tale of two countries*; I. Abella, *The Canadian labour movement, 1902-1960*; D. Galarneau, "Unionized workers," *Perspectives on Labour and Income*, Statistics Canada Catalogue 75-001-XPE, Spring 1996.

1. Abella, Irving. 1975. *The Canadian labour movement, 1902-1960.*

2. Almost $3.50 more for full-time workers ($19.06 versus $15.57) and almost $7 more for part-time workers ($16.80 versus $9.81) in 1999. Factors in addition to unionization, such as occupation and seniority, can also influence wage rates.

The foundation of resource exploitation, however, foreshadowed a consistent theme in Canadian economic development. While the Wheat Boom brought prosperity to western and central Canada, it left the Maritime provinces almost untouched. Although fish stocks were rich, farmland was marginal and there was little other industry except forestry in New Brunswick and steel and coal mining in Nova Scotia. The tidal wave of immigration that flooded the rest of the country — providing a highly-motivated, readily available source of labour — went almost unnoticed during this period in Nova Scotia, New Brunswick and Prince Edward Island.[2]

The Great War of 1914-1918: Boom and bust

The Wheat Boom shuddered to an end in 1913 when wheat prices fell in international markets. But the looming clouds of recession were dispersed by the First World War as European demand for Canadian products soared. The value of grain and flour exports doubled, while exports of wood products (including pulp and paper), meat, livestock, and metals all reached record highs.

The Great War was followed by a period of substantial labour unrest and general popular discontent, however. Inflation had eaten away the incomes of many — prices rose about 47% between 1914 and 1918 — and unions (whose membership had doubled) took advantage of their greater numbers to issue more urgent demands for collective bargaining, better hours and improved pay. In 1919, the hours of work lost to strikes set a record unrivalled for almost 30 years.[3]

2. McNaught. 198-199.

3. McNaught. 224-225.

The Roaring Twenties

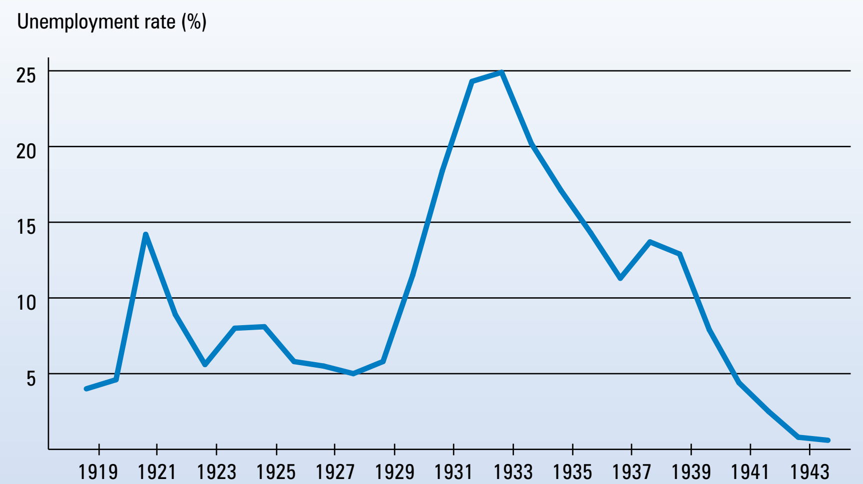
World War One helped to transform Canada from an agricultural to an industrial economy. Factories built to manufacture ships, guns and ammunition were now well-placed to meet the demand for consumer products. The 1920s ushered in the large-scale development of consumer markets for a wide variety of products and services from cars to holiday resorts and entertainment.

It was also during the 1920s that Canada became an urban nation. The percentage of the population living in urban areas had risen from about 35% in 1901 to 47% in 1921; by 1931, 53% of Canadians lived in cities. Rapid urban growth was enabled partly by the public financing of many elements necessary to an urban infrastructure, such as electricity supply and telephone service; governments (mainly provincial) stepped in when it became clear that the private sector alone could not build quickly enough to meet demand.[4]

Despite its cheerful depiction in popular culture as the Roaring 20s, not everyone reaped the benefits of the economic expansion. A short-lived recession in 1921-22, during which period the commercial banks put tough restrictions on credit, saw the unemployment rate jump from about 4% in 1919 to over 14% in 1921. Although the rate dropped quickly in the recovery, it did not return to the 1919 level until 1941, two years into the Second World War.

Nor did the different regions reap equal benefits from the new manufacturing and natural resource industries. On the Pacific coast, British Columbia's economy continued to grow, thanks partly to the 1914 opening of the Panama Canal; but on the Atlantic coast, mining and manufacturing were struggling.[5]

CST **Unemployment rates peaked in 1933, with over half a million unemployed**



Note: Equivalent to the non-agricultural labour force excluding the self-employed. Excludes Newfoundland.
Source: Statistics Canada, Catalogue 71F0030XIE (forthcoming).

The Great Depression and the Dirty Thirties

Much of the 1920s boom was a house of cards. In the world recession that followed the stock market crash of 1929, Canada was hit harder than most countries. As a trading nation heavily dependent on exports of raw materials and imports of many finished products, it was vulnerable in a time when other countries effectively closed their borders to trade. Between 1929 and 1933, the Gross Domestic Product (GDP) fell by 42%.

A 50% increase in tariffs and government support of the dollar protected some manufacturing-related jobs but worsened conditions for export industries.[6] The Prairie region was shattered by falling demand for wheat and by drought and plagues of grasshoppers. In the Maritimes, the fishing, coal and steel industries were violently rocked by shrinking international markets.

By 1932-33, it is estimated that the unemployment rate was about 24%. The number of people without jobs who were looking for work — over half a million — was almost four times higher than in 1929. Although deprivation was widespread following the Crash of 1929, not all Canadians suffered in equal measure. In a terrible paradox, prices for goods and services fell so low that, for those people who were employed, their purchasing power actually increased. In 1930, the value of average annual earnings in real terms was 12% higher than in 1920.

In 1934, the economic situation slowly began to improve, and by 1937, unemployment had fallen to 11%. Then jobless rates began rising again, and the recovery did not take firm hold until the early years of the Second World War.

World War II: The war builds a strong manufacturing economy

Canada declared war on Germany on September 10, 1939, seven days after

4. McNaught. 197-198.
5. For example, in 1922, the wages of the 12,000 Nova Scotia workers in the coal and steel industries were cut by one-third. Militia units broke up the resulting strike and the strike leaders were charged with sedition. McNaught. 232.
6. McNaught. 248.

Women's workforce participation during World War Two

At the outset of World War Two, as men left their jobs to enlist, the supply of workers declined and demand for labour was soon rapidly resulting in labour shortages. Once the surplus of men unemployed during the Depression was absorbed into the workforce, women were identified as the next source of labour to fill the shortfall.

Single women were already participating in the labour force to a considerable degree, so the government specifically targeted married women to fill jobs in vital war industries that had been left vacant by departing servicemen. Indeed, a report from the Dominion Statistician concluded that "the largest source of future labour supply is among married women," stating that, although approximately 2.3 million women were listed as home-makers in the National Registration of 1940, by July 1941, less than 3% of these women had joined the ranks of the industrial workforce.[1] To encourage the recruitment of married women, in 1942 the federal and several provincial governments entered into a publicly-funded daycare scheme and urged private employers to provide workplace daycare centres.

Before the war, women tended to be restricted to lower-wage occupations such as personal service, clerical work and non-durable goods manufacturing, such as textiles. Between 1941 and 1943, women's overall workforce participation increased substantially in several non-traditional industries, including manufacturing (from 19% in 1941 to 28% in 1943) and trade and finance (from 30% to 50%).

As women entered more highly-skilled and better-paid manufacturing industries such as aircraft or shipbuilding and electronics, the nature of their work changed significantly. However, the recruitment of women into the labour force was always presented as temporary — women were working because it was their patriotic duty. As soon as "Johnny came marching home," men resumed their places in the workforce. By October 1945, as industries throttled back from their wartime production levels, nearly 14% fewer women were employed than in the previous year, versus only a 5% drop for men.

The long-term impact of women's employment during the war is uncertain. Some analysts argue there was little apparent effect as unmarried women returned to low-wage industries they had previously worked in, and married women were pushed out of the paid workforce altogether. Others believe that women's wartime work experiences promoted their independence and heightened their expectations for their daughters to pursue higher education and to have careers.[2] However, no one disputes that women's wartime service demonstrated the implications of a large-scale influx of women into the labour force. Working women in 1940 experienced many of the same problems — poor childcare, competing demands of work and family, unequal pay and the discriminatory attitudes in the workplace — as women entering the workforce in later decades.

- For more information, see S. B. Gluck, *Rosie the Riveter Revisited: Women, the War and Social Change;* B. Light and R. R. Pearson, *No Easy Road: Women in Canada 1920s to 1960s.*

1. Dominion Bureau of Statistics. 1942. *Reserve of labour among Canadian women.*
2. Gluck, Sherna Berger. 1987. *Rosie the Riveter Revisited: Women, the War and Social Change.*

Britain and France. And for almost two years, until the US entered the war in December 1941, Canada was Britain's principal supplier of war materiel (France had fallen in June 1940). Over the course of the war, Canadian factories produced motor vehicles, ships, aircraft, guns, ammunition and food.

The first year of the war reduced unemployment, although employment growth was slow. Then in late 1940, jobs began to be created at a substantial pace. Employment was about 2.5 million in 1941 and over 3.0 million in 1944, more than a 50% increase over 1939. Unemployment was virtually non-existent as the final year of the war approached: less than 1% in 1944, and fewer than 18,000 people who wanted work were jobless. Inflation was kept under control by mopping up excess cash with war bonds and similar financial measures. The plan was mainly successful: prices rose 18% from 1939 to 1945 compared with 47% during the First World War.

The long-term impact of Canada's war role was substantial. The trade disruptions caused by the war had forced Canada to manufacture many goods that it had previously imported, such as diesel engines and electronic equipment, and introduced many new synthetic materials, including plastic and other petrochemical products. Canada entered the postwar years recognized as the fourth largest industrial and trading power among the developed nations.

The postwar boom

After the war, Canada braced for an economic slump like that which had followed the First World War, but it never materialized. The expansion of consumer demand, which had been dammed up during the war to prevent inflation, allowed for a fairly smooth transition from a war to a peace economy.

The country experienced a decade of rapidly rising prosperity from 1946 to 1957, fuelled partly by a huge construction boom driven by a rapidly growing population's needs — homes,[7] schools, hospitals and factories to meet the mushrooming demand for consumer goods, subway systems and multilane highways to get workers to work. Domestic and new foreign capital opened up natural resources such as iron, uranium, oil and natural gas. Hydroelectric power projects and more transportation infrastructure were developed, the most famous of which was the joint Canada-U.S. St. Lawrence Seaway shipping and hydroelectric project. Rebuilding a war-ravaged Europe also helped to stimulate rapid expansion of exports thanks to European demand for Canadian manufactured and agricultural goods.

Once again, immigrants played a crucial role in meeting the surging demand for workers. From 1951 to 1961, a net total of 1.1 million immigrants entered Canada. Their arrival was largely responsible for the 1950s expansion of the labour force. Unlike the first wave of immigrants in the early 1900s, the new immigrants were much more likely to be professionals or skilled workers.

The educational profile of the new immigrants was part of the government's policy to develop the well-educated, highly skilled workforce necessary to an industrial economy. In 1951, over half (52%) of the Canadian working-age population had less than a Grade 9 education; by the end of the 1960s, over one-quarter had more than a high school completion. In the same period, the percentage of the working-age population with a university degree more than doubled from 2% to 5%. This proportion would double again between 1971 and 1991, to 11%.

Service sector employment

By the beginning of the 1970s, the services-producing workforce totalled over 4.8 million, or 62% of Canadian employment. In 1999, employment in services accounted for more than 10.7 million jobs and 73% of total employment.[1] The biggest employers in the sector were retail and wholesale trade (2.2 million workers), health and social services (1.4 million) and education (983,000).

Although the services-producing sector includes the highly-unionized public sector industries, many service jobs are not as secure, offer fewer full-time positions and generally are lower-paying than jobs in the manufacturing sector. But recent research shows that, while job stability varies within and between different service industries it is not much different than the goods-producing sector. For example, jobs in business services and distributive services are just as stable as those in manufacturing; on the other hand, those in consumer services have high turnovers like those in fishing, forestry and construction, although their stability seems to be improving.

There is no doubt, though, that services-producing jobs are less likely to be full-time jobs. Only 77% of service jobs were full-time in 1997, compared with 92% in the goods-producing sector. Not surprisingly, nine in 10 part-time workers are employed in the services industries.

The impact of fewer hours of work can easily be seen in the average weekly earnings reported for the two sectors: $554 for services-producing versus $777 for goods-producing in 1998. The same pattern plays out between the service industry groups, in which industries with the highest rates of full-time employment have the highest average pay. For example, in 1999, weekly earnings in finance, insurance and real estate averaged $760 and business services somewhat less at $700. In contrast, earnings reported in food and beverage services, an industry where almost half the employees are part-time workers, amounted to just over $210 weekly.

- For more information, see "Are jobs less stable in the services sector?" *Services Indicators*, Statistics Canada Catalogue 63-016-XPB, 2nd Quarter 1998; "Employment and remuneration in the services industries since 1984," *Services Indicators*, 3rd Quarter 1998.

1. A change in industrial classification in 1987 resulted in a slight shift from the goods-producing to the services-producing sector.

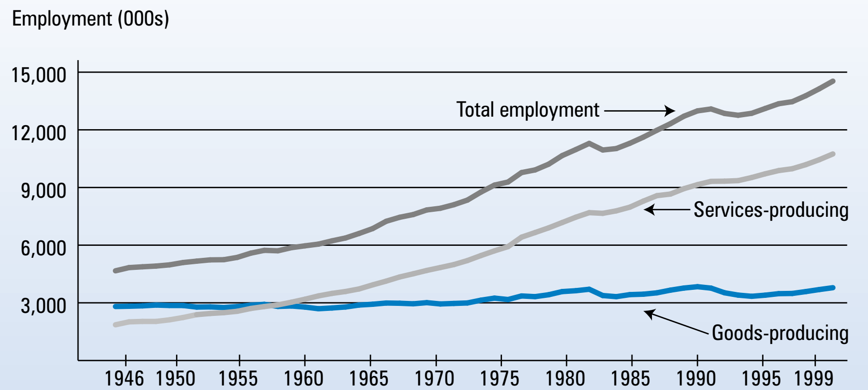
Some regions of the country did not experience unqualified benefits from the boom. In western Canada, for instance, the new farm machinery increased productivity while shutting down the need for labour. In the Maritimes, there was little new growth; in fact, the St. Lawrence Seaway diverted traffic from the Atlantic ports of Halifax and Saint John to Montréal and the Great Lakes ports.[8]

Nevertheless, the post-war boom was so powerful that Canadian average annual earnings made their biggest gains of the century (in real terms) during the 1950s. From 1950 to 1960, average earnings grew almost 43% (from $12,950 to $18,500). The gain was larger for men (up 44%, to over $21,250) but also substantial for women (up 36%, to more than $11,500). Reasons for such high real wage growth include the very low level of inflation in the 1950s and the large-scale movement of men out of the agricultural sector and other primary sector jobs into professional/technical and higher-paying jobs in urban centres.

The economic boom stalled in the late 1950s. Canada's unemployment rate rose from 3.4% in 1956 to 7.1%

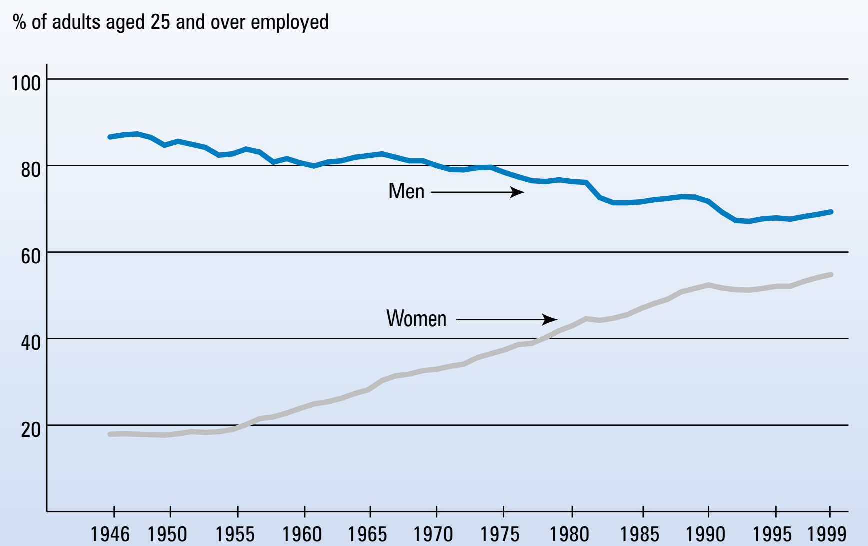
7. One-third of Canadians were homeowners in 1948; by 1961, two-thirds owned their homes. Douglas, Ann. 1997. *The Complete Idiot's Guide to Canadian History.*
8. McNaught. 293.

Services-producing industries have been Canada's main employer since the late 1950s



Note: Total employment data from 1976 on have been rebased to the 1996 Census of Population. A change in the industrial classification system in 1987 resulted in a slight shift in employment from the goods- to the services-producing sector.
Sources: Statistics Canada, Catalogue 71-220-XPB (1995) and CANSIM Matrix 3451.

Adult women's employment rates have tripled in just over 50 years, while men's have fallen by one-fifth



Note: Data from 1976 on have been rebased to the 1996 Census of Population.
Sources: Statistics Canada, Catalogue 71-220-XPB (1995) and CANSIM Matrix 3451.

in 1961; nevertheless, almost half a million more people were working in 1961 than in 1956, reflecting the underlying power of the economy. Rising unemployment rates largely mirrored the rapid growth of the labour force.

Indicative of this power are the substantial wage gains that continued to be recorded in the 1960s. Annual average earnings were $24,500 in 1970, up 37% from 1960. This increase was due partly to the accelerating shift away from employment in agriculture and other primary industries into the manufacturing and services sectors. It was also due in part to the rapidly improving educational levels of the workforce and to significant gains in productivity.

The modern workforce starts to emerge

One of the most notable trends in the labour force in the 1950s was the shift in employment from the goods-producing to the services-producing sector. From 1946 to 1960, employment in all industries rose 28% but employment in service-producing industries grew an astonishing 72%, to account for almost 3.2 million workers or over 53% of the workforce.[9]

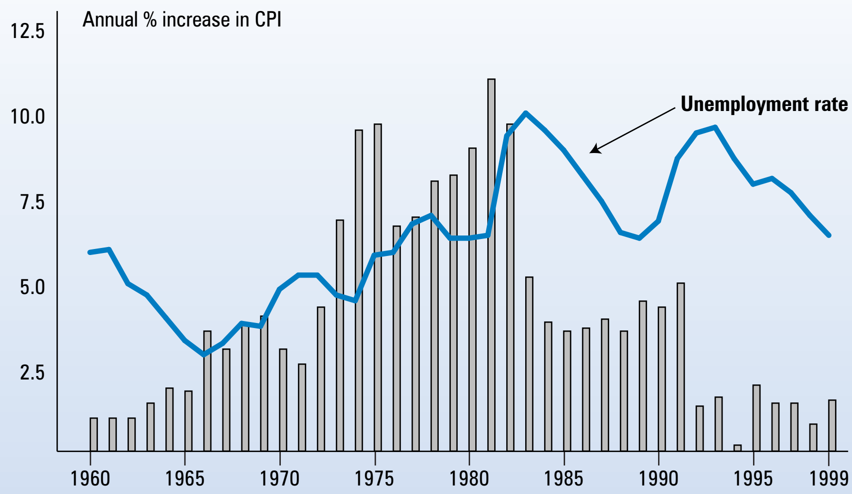
It was also during the 1950s that another profound change became unmistakable: the large-scale entry of married women into the paid workforce. Working women were not a new phenomenon. In 1901, about 16% of women aged 14 and over were in the labour force; in subsequent decades, the percentage climbed steadily. The greatest relative increase, however, was among married women and the growth continued steadily throughout the latter half of the century. Fewer than 4% of married women were in the labour force in 1941; by 1951, the proportion was over 11%, and by 1961, it had doubled to 22%. By 1980, half of married women were participants in the labour force, and the proportion continued to grow modestly to over 60% in the next two decades.

The 1970s: The oil crisis and stagflation

The economy began to weaken in the late 1960s. It was still creating jobs, but the pace was not fast enough to provide employment for all the baby boomers leaving Canada's high schools, colleges and universities. As a

9. 1958 was the year in which the service sector became the main employer in the economy, accounting for 51% of total employment.

The annual rate of inflation exceeded 5% from 1973 until 1984



Note: Unemployment data from 1976 on have been rebased to the 1996 Census of Population.
Sources: Statistics Canada, Catalogue 71-220-XPB (1995) and CANSIM Matrices 9957 and 3451.

result, unemployment rates began to rise, reaching 6.2% in 1971 and 1972. Then in 1973, the "oil shock" hit.

The oil crisis of 1973-75 was caused by a fourfold increase in the price of oil, precipitated by OPEC's embargo on oil exports. The crisis introduced a period of simultaneous high unemployment and high inflation that came to be known as "stagflation," a hitherto unknown situation that perplexed economists and policy-makers. From 1974 until the end of the decade, unemployment rates ranged from 5.3% to a high of 8.4%. Although employment levels continued to climb, the number of unemployed Canadians increased over twice as fast, reaching 870,000 in 1979. At the same time, the cost of living more than doubled — $1 worth of goods and services in 1970 cost $2.17 by 1980. In real terms, average annual earnings grew less than 9% over the decade, to $22,800, even though the face value of workers' paycheques rose 135%.

Contributing to the labour market's difficulties in adjusting to such unfamiliar conditions were the newly emerging industrial economies in Asia. They presented a serious competitive threat to manufacturers in central Canada, but new markets to resource industries in the Western provinces. Meanwhile, conditions continued to deteriorate in the Atlantic provinces. Much of the work on which Maritimers had depended in the past was seasonal — farming, fishing, forestry — and many workers moved from one industry to another as the year progressed, putting together a sequence of seasonal jobs so they could remain employed throughout the year. As the industries supporting this cycle fell on hard times, year-round employment became difficult to sustain and pockets of chronic unemployment deepened in eastern Canada.

In the 1970s, Unemployment Insurance (UI) became a mainstay for many seasonal workers in the Maritimes and Quebec. Unemployment Insurance had been introduced in Canada in 1940 to provide financial assistance to people who were unemployed. Amendments in the 1950s expanded the system considerably, but in 1971 it underwent a major restructuring. Under the new Act, UI was to provide "adequate" income support for workers whose earnings were temporarily interrupted. This entailed substantial liberalization of the system; for example, coverage became nearly universal, eligibility requirements were made easier, and special benefits such as maternity and sickness leave were provided. In some pockets of chronic hardship in eastern Canada, whole communities relied on UI to tide them over from one season of fishing or logging to another.[10]

The 1981-1982 recession

By the late 1970s, the federal government had decided that stagflation could not continue. In recent years, Canada had endured several years of high inflation (increases of more than 7% a year since 1973) combined with high unemployment rates (at least 7% since 1975). Given this context of continued inflation, interest rates were increased sharply. From 11.25% in July 1979, the bank rate was pushed to 14.0% by October 1979, reaching a peak of 21.03% in August 1981. Mortgage rates and consumer loan rates followed suit: in late summer 1981, Canadians were renewing their mortgages at almost 22%, and being asked to pay about 23% for consumer loans.

Economists generally agree that the recession that followed was the most severe to date since the Depression. GDP growth dropped in the third quarter of 1981 and was stalled throughout 1982. From 1981 to 1982, employment fell by 363,000, to just over 11.0 million. But with GDP growth resuming in 1983, by 1984 the labour market was showing signs of recovery.[11] Jobs lost in the previous

10. McNaught. 330.

11. Labour markets tend to lag up to one year behind the business cycle as measured by GDP.

two years were regained and then employment growth accelerated, to reach almost 13.2 million jobs by 1990, a 16% increase in overall employment since the beginning of the recovery.

Job growth in 1980s mostly in services

Employment was gained in some industries but not in others. Job creation in the 1980s occurred almost exclusively in the services-producing sector, where overall employment rose by almost 24% and was strongest in the community, business and personal services industries (up 33% or 1.1 million jobs).

Manufacturing industries endured significant turbulence in the 1980s as the sector tried to weather not only a severe downturn in the business cycle, but also a substantial restructuring. The effect of restructuring can be seen in the rate of job turnover as jobs shifted from declining plants and industries to those that were growing. Job turnover rates in manufacturing were definitely higher than they had been in the 1970s, and the evidence clearly suggests that restructuring was more important than the business cycle, generating both job gains and job losses in manufacturing.[12]

Inflation persisted throughout the 1980s, although the rate of increase slowed. The Consumer Price Index (CPI) rose 38% between 1980 and 1984, but by a more moderate 19% over the next five years. Nevertheless, during the 1980s, men's average earnings fell $400 (to $33,450 in 1989), but women's rose by almost $2,300 (to $19,760). This was due partly to women's better levels of education, their shift to more full-time employment and their entry into better-paying occupations. But it also marked the beginning of a story that continued into the 1990s — the stagnation of men's labour force position.

The falling rate of male labour force participation has been apparent since the 1920s and 1930s, but it began to accelerate in the mid-1960s. Employment rates for adult men aged 25 and over fell below 85% in 1950, below 80% in 1971 and below 70% in 1991. In the 1970s and 1980s, the decline was probably partly due to older workers retiring early and taking advantage of special provisions available in public and private pension plans.

However, as the trend continued into the mid-1990s, concerns grew that older men were not leaving the workforce voluntarily. There is some evidence that this is true. Men aged 55 to 64 were at greater risk of permanent layoff than younger men, a likelihood that had been rising since the 1980s; they were also twice as likely to remain unemployed for more than a year after losing their job. Older men with lower education and those in regions of high unemployment (for example, Quebec and the

Employment Insurance in the 1990s

Since 1990, the federal government has introduced a number of significant changes to Canada's Unemployment Insurance plan. The system was renamed the Employment Insurance (EI) program, and it became self-financing as employers and employees took on the cost. New regulations designed to "tighten up" the system were made. Most significantly, the entrance requirement was raised, the benefit rate was reduced and workers who quit without just cause were completely disqualified.

There has been a steady fall in EI use throughout the 1990s. A 1998 survey of EI benefits coverage found that just under half (47% or 602,000) of unemployed Canadians were not eligible for EI. Those who had not worked in the last 12 months (47% of the total) or who had never worked (20%) accounted for most of the ineligible unemployed. About 12% had quit their previous job, 12% had been self-employed or worked in a job without coverage, and 10% had quit to continue their education.

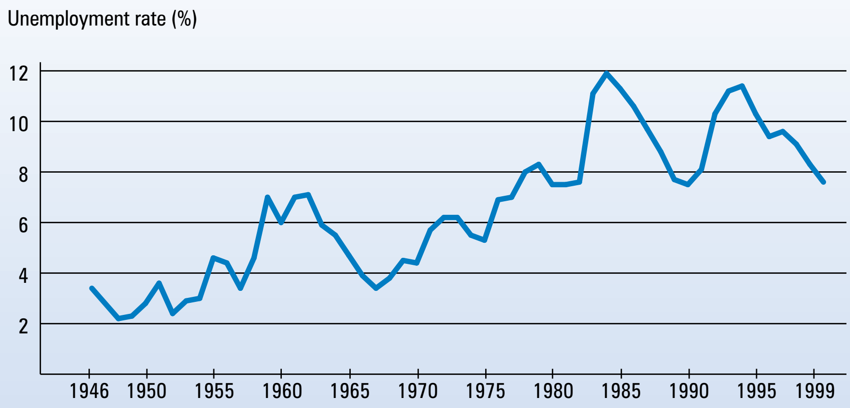
Given these reasons, it is no surprise that 68% of youths aged 15 to 24 were ineligible for EI — about two-thirds of them had never worked or had quit their last job. Just under half (47%) of unemployed adult women were ineligible, mainly because they were new or returning entrants to the job market. In contrast, only one-third (34%) of adult men were not eligible for EI, principally because they had not worked for more than a year since their last job and had exhausted their benefits.

Whether lack of EI benefits leads to hardship is an important question. Over half (53%) of the ineligible unemployed were living with their parents or had a working spouse. Almost one-quarter (23%) were receiving social assistance, and over one-tenth (12%) were living on savings and investment or had help from friends and relatives. Those unable to rely on parents or a partner were finding it especially difficult to make ends meet: just under half reported that their income met only some of their household's regular living expenses.

- For more information, see *Employment Insurance in Canada: Recent trends and policy changes*, Analytical Studies Branch Research Paper No. 125, September 1998, Statistics Canada Catalogue 11F0019MIE98125; *Report on the Main Results of the Employment Insurance Coverage Survey, 1998*, Statistics Canada Product 73F0008XPE, July 1999.

12. Baldwin, John. 1995. *Restructuring in the Canadian manufacturing sector from 1970 to 1990: Industry and regional dimensions of job turnover.* Analytical Studies Branch Research Paper No. 78. Statistics Canada Catalogue 11F0019MIE95078.

CST **Unemployment rates have trended upward in the last 50 years**



Note: Data from 1976 on have been rebased to the 1996 Census of Population.
Sources: Statistics Canada, Catalogue 71-220-XPB (1995) and CANSIM Matrix 3451.

Atlantic Provinces) were especially vulnerable. By the 1990s, though, these job losses were concentrated in only a few major industry groups, most notably public administration.

A related trend that became noticeable in the 1980s was the worsening labour market position of workers under age 35. Since the late 1970s, the real earnings of young workers, as well as their relative earnings compared to older workers, have been falling in Canada and other industrialized nations. Young men have borne the brunt of this trend, although young women have also experienced relative declines in earnings.

The slow recovery from the 1990-1992 recession

The recovery of the 1980s was so long and sustained that some overconfident commentators began to wonder if the world was witnessing the death of the business cycle. They needn't have worried. By 1990, the economy was slowing down and 100,000 more people were jobless than in 1989. The situation worsened, and by 1993, with the unemployment rate at 11.4%, over 1.6 million Canadians were without work.

The recession of 1990-92 was not as deep as that of the previous decade, but it lasted longer. Downsizing — the permanent elimination of jobs — was significantly higher than it had been in the 1980s, especially during the recovery. Hardest hit were the public service (mainly health and government) and consumer services, each of which contributed about 40% of the increase in job destruction in the early to mid-1990s.

Ongoing "rightsizing" was not the only unfamiliar development in the post-recession period. The recovery was slow to gather momentum. GDP grew at a per capita average rate of 0.7% per year in the early to mid-1990s, less than half the yearly pace recorded in the 1980s (1.9%). Employment growth was much slower — only 1% per year compared with 2% in the 1980s — and there was not much full-time job creation until late in the decade. Although productivity increased, wages remained flat.

One reason for slow job creation was that firms organized their work, and therefore their workforces, differently. Increasing numbers of people worked on short-term contract, became self-employed, and so on. This sort of arrangement allowed firms to control their labour costs by avoiding the hiring of new workers. This strategy greatly affected young people and recent immigrants, groups who are at a disadvantage when firms have little interest in taking on new employees. In addition, existing employees stayed put in the jobs they already had, leading to less of the "job churning" that presents new entrants with opportunities to join the workforce. Participation in the labour force fell, partly because young people stayed in school to improve their education and skills (and perhaps to avoid the hazards of the job market).

It is possible that the difficulty finding paid employment contributed to the remarkable growth of self-employment in the early and mid-1990s. Although total employment growth averaged only 1% per year, 58% of these new jobs came from self-employment; in contrast, full-time paid employment accounted for only 18%. The share had been the exact opposite in the 1980s, at 18% for self-employment and 58% for full-time jobs.

Another key development in the 1990s was women's emergence from the recession in a better position than men, relatively speaking. The gap in educational attainment between young men and women workers had virtually disappeared by the end of the decade. This contributed considerably to the rise in women's annual earnings (after accounting for industry of employment, region, full- or part-time work status) at the same time that men's were falling. Employment indicators were also better for women during most of the 1990s.

The late 1990s: Are new trends emerging?

In the last few years of the 1990s, employment growth accelerated substantially. By 1999, almost 15 million Canadians — 61% of the working-age population — were employed. At the end of that year, the unemployment rate stood at 6.8%, its lowest level since early 1976. Furthermore, job growth was strongest in full-time employment, an important sign of economic health because full-time jobs tend to be more secure, have higher pay and better benefits. Most hiring occurred in the private sector, and much of the increased growth was in paid employment. Self-employment rose by less than 2%, one of the smallest increases in a decade.

Also suggesting a change in trends was the considerable increase in the employment levels of older workers aged 55 and over. In the three years 1997 to 1999, the number of older workers increased by almost 20%, greater than any other age group. In addition, it was men who accounted for two-thirds of the overall rise in the number of older workers.

Summary

Many new factors will influence the growth and development of the labour force in the new century. While these new developments will certainly affect some members of the labour force immediately, their impact over the longer term in the larger labour market is not easily foreseen. The last few years of the 1990s, for instance, have seen the slowing, if not the reversal, of at least two trends that had begun in the 1980s and apparently gathered strength in the 1990s: self-employment and declining employment rates among older men. The intense period of restructuring in the manufacturing sector during the 1970s and especially the 1980s — as old industries and technologies gave way to the new — suggests that while the process of change is arduous and unsettling for many, it ultimately creates employment opportunities for many more. An analogous period of transition

The declining labour market position of young workers

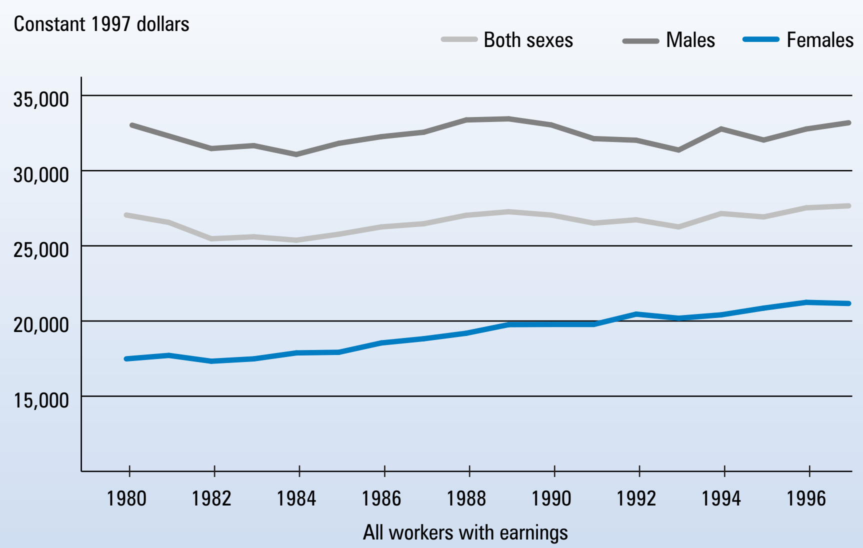
Real earnings of younger workers under age 35, as well as their relative earnings (compared to older workers), have been falling since the late 1970s both in Canada and other industrialized nations. In the 1980s and 1990s, expected real hourly wages and annual earnings declined for young men and women. Several theories have been presented to explain this phenomenon, mainly centred on the idea that employers feel obliged to pay higher wages to keep their experienced workforce from seeking employment elsewhere. However, an alternative reason may lie in the relative educational attainment of older versus younger workers.

In the past, older workers have had more experience and younger workers more education. By the 1990s, though, many older workers had the same educational level as younger workers in addition to more experience. The improved human capital (the combination of education plus work experience) of older workers thus plays a role in depressing relative earnings of young workers. In the 1980s, the educational improvement of older workers accounted for about one-quarter of the gap in wages between younger and older workers. In the early 1990s, it explained an even larger proportion of that gap: almost half for men and three-quarters for women.

This phenomenon also suggests that it was not only the cost of new hires that encouraged firms to keep their experienced workforce intact. In the 1990s, the human capital of older workers outstripped that of younger workers; in other words, the existing workforce had more real and potential value to employers.

- For more information, see C. Kapsalis, R. Morissette, and G. Picot, *The return to education and the increasing wage gap between younger and older workers*, Analytical Studies Branch, Research Paper No. 131, March 1999, Statistics Canada Catalogue 11F0019MIE99131.

CST **Real average earnings of workers have been relatively flat for the last two decades**



Source: Statistics Canada Catalogue 13F0022XCB.

The dynamic growth of self-employment

Self-employment was an important contributor to job growth in the 1980s, and became a veritable engine of new employment in the early to mid-1990s. During the 1980s, the percentage of people who were self-employed increased to just under 13% of the labour force, and amounted to more than two million workers. Since self-employment accounted for 18% of net employment growth, and since nearly two-thirds of new self-employed workers were business owners with paid workers, starting a firm was responsible for a considerable increase in new paid jobs.

In the 1990s, self-employment growth accounted for more than three out of four new jobs. By 1997, over 2.5 million Canadians — 16% of the labour force — were self-employed. Unlike the previous decade, though, there was very little "spin-off" into paid jobs, because about nine in 10 of the newly self-employed worked on their own.

Most of the self-employed chose this type of employment; only 12% started their own business because there was no other suitable work available. Indeed, independence is the most common reason given for opting for self-employment over paid employment (42%). But it is not a guarantee of material success. Almost half (45%) of the self-employed made less than $20,000 in 1995, compared with 26% of paid workers; on the other hand, 4% earned over $100,000 that year, versus only 1% of workers who were not their own boss.

- For more information, see Z. Lin, J. Yates and G. Picot, *The entry and exit dynamics of self-employment*, Analytical Studies Branch Research Paper No. 134, March 1999, Statistics Canada Catalogue 11F0019MIE99134; "The self-employed," *Labour force update*, Catalogue 71-005-XPB, Autumn 1997.

from a goods-based to a services-based economy brought enormous benefits to most workers, as shown by the dramatic improvements in wages and salaries recorded in the 1950s and 1960s, when people moved into high-skilled jobs. Although real earnings have been comparatively flat for men since the 1980s, they have been rising for women as their workforce position improves. Over the long term, the employment rate of working-age Canadians has risen steadily, indicating that the economy is providing a sufficient number of jobs for the country's growing population. As for the regional inequalities that have haunted Canada for so long, the "information economy," by rendering geographic location largely irrelevant, may help to ease the historical labour market imbalance between the Atlantic provinces and the rest of the country.

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Susan Crompton is Editor-in-Chief and **Michael Vickers** is Research Officer with *Canadian Social Trends.*