

Workers on the move: Hirings

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In 1988, the sixth year of the last period of expansion, employment grew at an annual rate of 3.2%. However, out of 12.2 million paid workers, about 3.8 million, or nearly a third, started a new job some time during the year. Moreover, 1988 was not an exceptional year: in 1986, for example, out of 11.5 million paid workers, just over 3.8 million were hired that year.

Hirings represent one aspect of the dynamics of the labour market, the other being quits and layoffs. They reflect certain types of workforce and business adjustments, as well as the cyclical and seasonal nature of the economy.

This paper examines general hiring trends. For example, are hirings more often full-time or part-time? Are there industry sectors where hirings are more or less frequent, and why is this so? Is it so every month of the year? What types of persons do employers turn to, to fill job vacancies?

Factors affecting hirings

Hirings ⁽¹⁾ vary greatly from one month to the next; certain firms hire or rehire staff to adjust to product demand, because it is the beginning of the production season or because they are expanding.

It is difficult to mention hirings without touching on the question of exits (quits and layoffs). In certain industry sectors, the hiring rates are distinctly higher than in others because the firms involved have laid off staff beforehand. In seasonal sectors (like agriculture, fishing, forestry, and tourism), high levels of hirings and layoffs are part of the normal production cycle, and it would be surprising to observe low workforce turnover. Other sectors have a relatively unskilled labour force and low training costs. It may therefore be less expensive for employers to lay people off in slack periods and rehire them when activity resumes, even at the risk of losing some of their workers.

Recent work ([Baldwin and Gorecki](#), 1989) has shown that competition plays a major role in determining a firm's employment level and is responsible for a large amount of job creation and elimination. In a

highly competitive industry we could therefore expect to find high hiring (and quit) rates attributable to the more competitive firms that were able to increase their market share and thus hire more workers. (High quit rates would be attributable to firms whose market share was decreasing because they were losing out to the competition.)

External factors, such as general economic conditions and the state of a particular sector (in expansion or decline) can also affect a firm's hiring level.

1988: a year of expansion

It is important to stress that the results are valid for the year studied - 1988 - which falls into a period of expansion, and that they could be different at another point in the economic cycle. Although it is difficult to know, from a single year of observation, to what extent hiring is affected by economic conditions, it is worth recalling the events that marked 1988.

It was the sixth year in the cycle of economic growth that began in 1983. Although many analysts forecasted a slowdown of economic growth following the stock market crash of October 1987, the expansion kept up its momentum. The production of goods and services continued to grow, led by the mining, construction, wholesale trade and transportation sectors. The year 1988 was also marked by a drought that greatly affected agricultural production as well as several related sectors.

According to the Labour Force Survey, employment in 1988 rose 3.2% in comparison with 1987, registering the highest annual growth since 1980. The number of unemployed dropped by 119,000, and the average annual unemployment rate even fell below the 8% mark, reaching the lowest level since 1981.



Chart A **The hiring rate peaks in late spring and in the summer.**

Source: *Labour Market Activity Survey*

Monthly distribution of hirings

In 1988, there were 5 million hirings, representing a rate of 32%. (2) This means that in 1988 about one paid job in three was either held by a new person or was a newly created job. On a monthly basis, (3) the number of hirings varied between 140,000 and 800,000, while the rate rose from about 1% to 3% during the slack months, to reach 5% to 7% during the more active months.

Several factors account for the monthly fluctuations in the hiring rate. For example, because of the entry of students into the labour market and the beginning of the production season in certain seasonal industries (such as agriculture, fishing, forestry, construction and tourism), the highest hiring rates and the largest number of hirings were recorded in the spring and summer (40% of hirings took place in May, June and August 1988). At the other extreme, the beginning and end of winter were slack periods.



Chart B A greater proportions of hirings are for full-time jobs.

Source: *Labour Market Activity Survey*

Full-time and part-time hirings

In 1988, most hirings (over two-thirds) were for full-time jobs. [\(4\)](#) From January to April, the proportion of full-time hirings rose from 66% to 75% of the total, and subsequently fell at an almost constant rate until December, when it was no more than 51%. Once again, this may be attributable to the entry of students into the labour market and to the more seasonal nature of certain industries.

The relative importance of part-time hirings increased in the fourth quarter mainly because of a decrease in the number of full-time hirings. In fact, all hirings dropped towards the end of the year, but those giving rise to full-time jobs decreased more, relatively.

Distribution across industrial sectors

Goods-producing sector

The hiring rate for the goods-producing sector, at 32%, is the same as that for the service sector ([Table 1](#)). However, if the manufacturing industry is excluded, the hiring rate of the goods sector is distinctly higher, rising to 42%.

This phenomenon is attributable to the seasonal industries of agriculture, fishing, forestry and construction. Not surprisingly, the four most seasonal industries show wide fluctuations in the hiring rate ([Chart C](#)). Despite this, they represent only a relatively small part of the total number of hirings during the year (14%). This probably reflects the relatively small size of these industries in the Canadian labour market.



Chart C **Highly seasonal industries in the goods-producing sector fluctuate the most.**

Source: *Labour Market Activity Survey*

The manufacturing industry differs from the rest of the goods sector because it is less seasonal in nature. At 25%, its hiring rate is distinctly lower than that of the other industries in this sector, but remains relatively close to the all-industry average (32%). Monthly fluctuations are relatively weak. However, in May the hiring rate reaches a peak, which is attributable in part to the hiring of students, probably to replace regular employees on vacation. Although there is little seasonal variation in this industry, the low monthly hiring rate may also be attributable to certain important components of this industry (such as motor vehicles, pulp and paper, or publishing and printing) that require a relatively skilled workforce. Employees are therefore more difficult to replace and often strongly unionized, which tends to restrict entries and exits. Even though the manufacturing industry is in decline, it is difficult to attribute its relatively low hiring rate to this factor, especially in 1988. (According to the LFS, net employment in manufacturing grew by more than 4% between 1987 and 1988, compared with 3.2% for all industries.)



Table 1 **Hirings rates by industry, 1988**

Source: *Labour Market Activity Survey*

Service sector

In the service sector, personal services, [\(5\)](#) business services and trade had the highest hiring rates and the widest monthly fluctuations ([Chart D](#)). Jobs in personal services and trade often require little training, and it is less expensive for employers to lay people off in slack periods and to hire them in more favourable periods. On the employees' side, the fact that the working conditions in these industries are often less advantageous (lack of job security, low wages and few welfare benefits), makes it less expensive to change employers. As well, many of these jobs are held by students. All these factors, combined with the fact that these industries are more sensitive to changes in economic conditions, may produce relatively higher staff turnover and hence high hiring rates.



Chart D **The highest rates in the service industries are found in personal services, business services and trade.**

Source: *Labour Market Activity Survey*

The business services industry has experienced considerable growth with the development of new technologies; also, many firms tend to contract out certain services they used to provide themselves. According to LFS data, from 1984 to 1988 employment in business services increased by 36%, compared with 12% for all industries taken together.

The relatively low hiring rate and narrow monthly fluctuations found in public administration reflect both the low workforce turnover in this sector and the trend towards limiting growth in the public sector. In addition, the high rate of unionization and relatively attractive working conditions provide little incentive for workers to move.

The other industries, namely community services, (6) finance, insurance and real estate, and transportation, communication and other utilities, are not seasonal industries. They therefore show relatively low hiring rates and much less monthly fluctuation. Moreover, many jobs in these industries require specialized training. It also often happens that experience is an asset to both employees and employers. In community services and transportation, communication and other utilities, there is a high rate of unionization and a relatively stable demand for services. All these factors introduce a certain rigidity into these industries, which makes entries and exits more expensive for both employees and employers.

In 1988, the service sector as a whole accounted for 72% of all hirings. More specifically, the industries with the most hirings were retail trade (17%), accommodation and food services (12%), health (6%), business services (6%) and education (5%).

Full-time and part-time hirings by industry

On the whole, hirings in the goods sector were more likely to be full-time than those in the service sector (84% and 60% respectively). Agriculture differed from the rest, however, with only 64% of hirings being full-time.

Personal services, community services and trade showed the highest proportions of part-time hirings. This is probably related to the fact that the workforce in these industries is made up in large part of women and students, who are usually more willing to work part-time.

Hirings and paid jobs

In all sectors, 34% of hirings were part-time, compared with 23% of paid jobs ([Table 2](#)). This higher proportion of part-time hirings than part-time jobs seems more strongly associated with the service sector, since the hirings in that sector are more often part time.



Table 2 **Distribution of full-time and part-time hirings and paid jobs by industry, 1988**

Source: *Labour Market Activity Survey*

Does this reflect high job turnover, or the growing importance of the service sector and the rising proportion of part-time jobs in this sector? Or is it simply because part-time jobs are temporary and disappear after a few months?

It is difficult to give a definite answer to this question without having more years of observations to go by. However, using 1986 data, the proportion of part-time hirings in the service sector for permanent jobs was calculated. [\(7\)](#) According to these results, 80% of part-time hirings in this sector were permanent. Thus part-time jobs do not seem precarious, at least not in 1986.

The persons hired

What kind of workers did employers turn to, to fill vacancies? The 5 million hirings in 1988 involved 3.8 million persons, who were almost evenly divided between men and women. In general, those hired were relatively young: 46% were under 25, and 29% were aged 25 to 34. This may be because a fair number of hirings involved students; in fact, a high proportion of those hired (36%) still lived with their parents. As well, job security usually increases with age, and it is reasonable to expect more hirings among younger people.

The average hourly wage rate of hirees was lower than that of all paid jobs (\$8.95 compared with \$11.55). This difference may be attributable to several factors, almost certainly including the younger age of those hired, the high proportion of part-time jobs among hirees and the fact that many hirings took place in the retail trade and personal services industries, [\(8\)](#) which usually offer relatively low pay.

About 44% (1.7 million) of the persons hired had a job just before starting a new job. The remaining 56% may have been unemployed, discouraged workers, people entering the labour market for the first time, returnees from some kind of leave, or people who were offered work without having looked for it.

About half of those persons who had a job before starting a new job were working in a related

occupation. Their average hourly wage rate increased by 13%, rising from \$8.71 to \$9.84.

Conclusion

In 1988, there were 5 million hirings, which accounted for 32% of all paid jobs during the year. On a monthly basis, the hiring rate reached peaks in late spring and during the summer. Over two-thirds of hirings gave rise to full-time jobs.

Agriculture, fishing, forestry and construction showed relatively high rates of hiring as well as wide monthly fluctuations. This was no doubt attributable to their more seasonal nature. Despite high hiring rates, these industries represented only 14% of the total number of hirings during the year.

Certain service industries also showed high hiring rates and wide monthly fluctuations. This was the case for trade (especially retail trade) and personal services (particularly those related to tourism, such as accommodation and food services). The high hiring rates in these industries may reflect seasonal fluctuations, less than advantageous working conditions and the little training required for these positions. These industries accounted for the highest proportion of hirings during the year (about 40%).

The 5 million hirings involved 3.8 million persons. About 44% of them already had jobs before being hired and they increased their wage rate by about 13%, on average.

The data

This paper is based on the results of the Market Activity Survey (LMAS) of 1988. The LMAS is a supplement to the Labour Force Survey (LFS) and provides data on the labour market activity of Canadians and the characteristics of the jobs they hold, up to five a year, during one calendar year.

As the LMAS encompasses all of the labour market activities Canadians engaged in at some time during the year, its annual employment estimates are higher than those of the LFS, which provides annual averages based on monthly estimates of employed persons.

The LMAS results enable us to examine the labour market from two angles, that of persons and that of jobs. The data are thus available in two distinct files. The first file, on persons, reveals that 12.2 million persons held paid jobs in 1988. The job file, on the other hand, reveals that these persons held 15.7 million paid jobs during the year. This means that in 1988 certain workers held several jobs.

To show the difference between a job in the ordinary sense and a job in the context of the LMAS,

consider the example of an employer who has a position to fill for 12 months. During the year, three persons hold this position for 4 months each. For purposes of the LMAS, this position corresponds to three jobs.

This paper is based mainly on the job file. An information booklet on the Labour Market Activity Survey is available and can be obtained from Richard Veevers at (613) 951-4617.

Notes

Note 1

For a definition of hirings, see the article "Workers on the move: An overview of labour turnover," in this issue. It discusses entries into and exits from the labour market and contains definitions of the terms used in this paper.

Note 2

The hiring rate is the ratio of the total number of hirings in 1988 to the total number of paid jobs existing for at least one week during the year. This rate can also be calculated on a monthly basis.

Note 3

There is a difference between the number of hirings taken from the Labour Market Activity Survey (LMAS), the data source for this study, and that of the Labour Force Survey (LFS), used by G. Lemaître in his article, "Workers on the move: An overview of labour turnover." For more details, see [The data](#).

Note 4

Throughout this article, a full-time job is defined as 30 hours or more per week.

Note 5

This industry comprises personal services, accommodation and food services, amusement and recreation services, and miscellaneous services.

Note 6

This industry includes education, health and social services and religious organizations.

Note 7

Only the LMAS questionnaire of 1986 makes it possible to distribute hirings according to whether they were for temporary or permanent jobs. For further details on this distribution and the definitions of permanent and temporary jobs, see the article "Workers on the move: An overview of labour turnover" in

this issue.

Note 8

The personal services industries also include accommodation and food services, amusement and recreation services, and miscellaneous services.

References

- Baldwin, J.R. and P.K. Gorecki. *Dimensions of labour market change in Canada: intersectoral shifts, job and worker turnover*, Analytical Studies Branch, research paper no. 25, Ottawa: Statistics Canada, 1989.
- Picot, G. and J. Baldwin. "Patterns of quits and layoffs in the Canadian economy." *Canadian economic observer*, Monthly, Catalogue 11-010, October 1990. Ottawa: Statistics Canada, pp. 4.1-4.28. [1990 a]
- ---. "Patterns of quits and layoffs in the Canadian economy - part II." *Canadian economic observer*, Monthly, Catalogue 11-010, December 1990. Ottawa: Statistics Canada, pp. 5.1-5.21. [1990 b]

Author

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Source

Perspectives on Labour and Income, Summer 1992, Vol. 4, No. 2 (Statistics Canada, Catalogue 75-001E). This is the fifth of five articles in the issue.

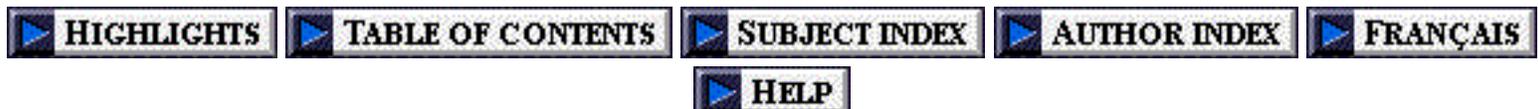
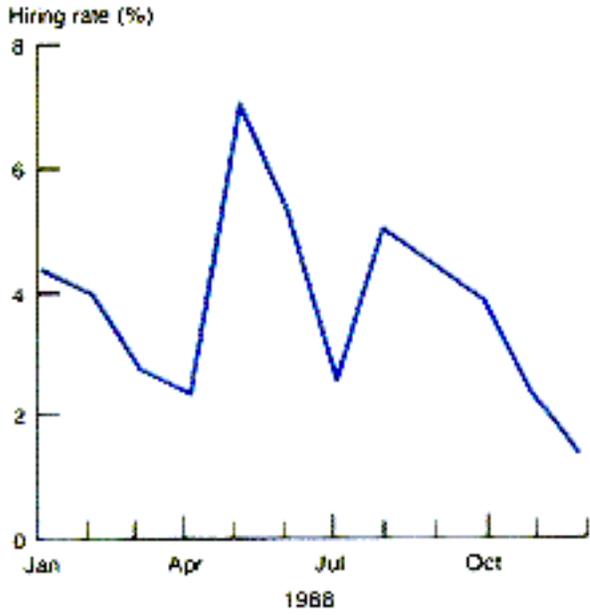


Chart A

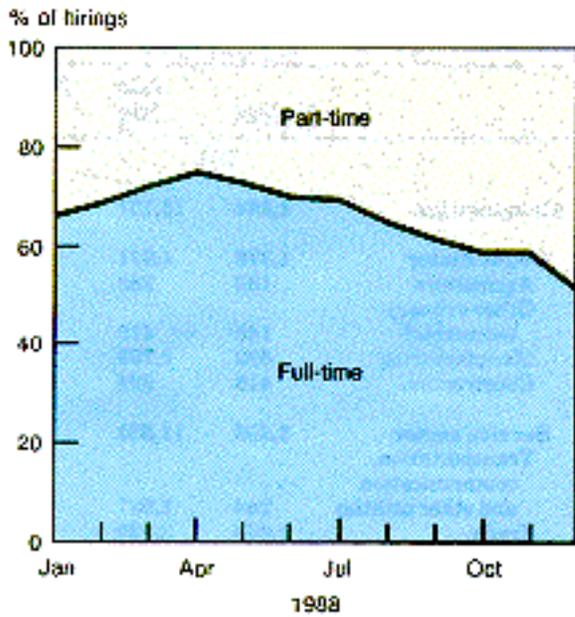
The hiring rate peaks in late spring and in the summer.



Source: Labour Market Activity Survey

Chart B

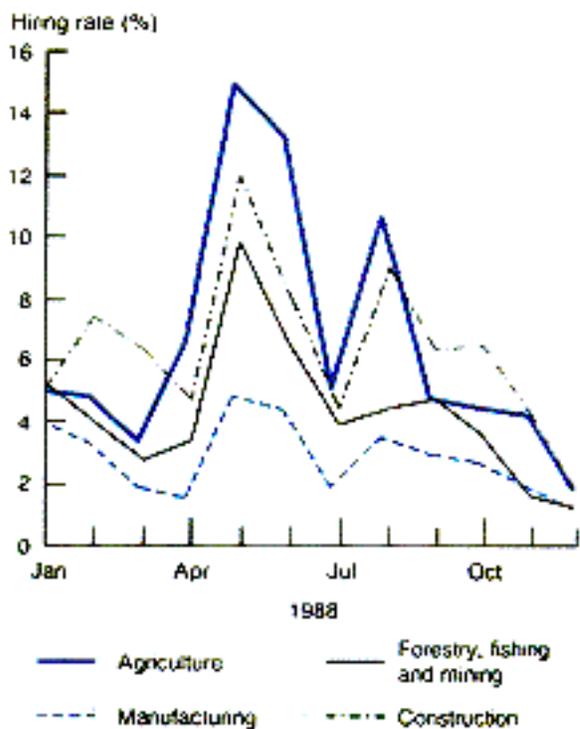
A greater proportion of hirings are for full-time jobs.



Source: Labour Market Activity Survey

Chart C

Highly seasonal industries in the goods-producing sector fluctuate the most.



Source: *Labour Market Activity Survey*

Table 1

Hirings rates by industry, 1988

	Hirings	Paid jobs	Hiring rate
		'000	%
All industries	4,984	15,731	32
Goods sector	1,378	4,371	32
Agriculture	130	288	45
Other primary industries*	140	419	33
Manufacturing	690	2,739	25
Construction	418	924	45
Service sector	3,606	11,361	32
Transportation, communication and other utilities	244	1,087	22
Trade	1,044	2,823	37
Finance, insurance and real estate	194	830	23
Community services**	546	2,524	22
Business services	301	777	39
Personal services†	1,009	2,145	47
Public administration	268	1,175	23

Source: Labour Market Activity Survey

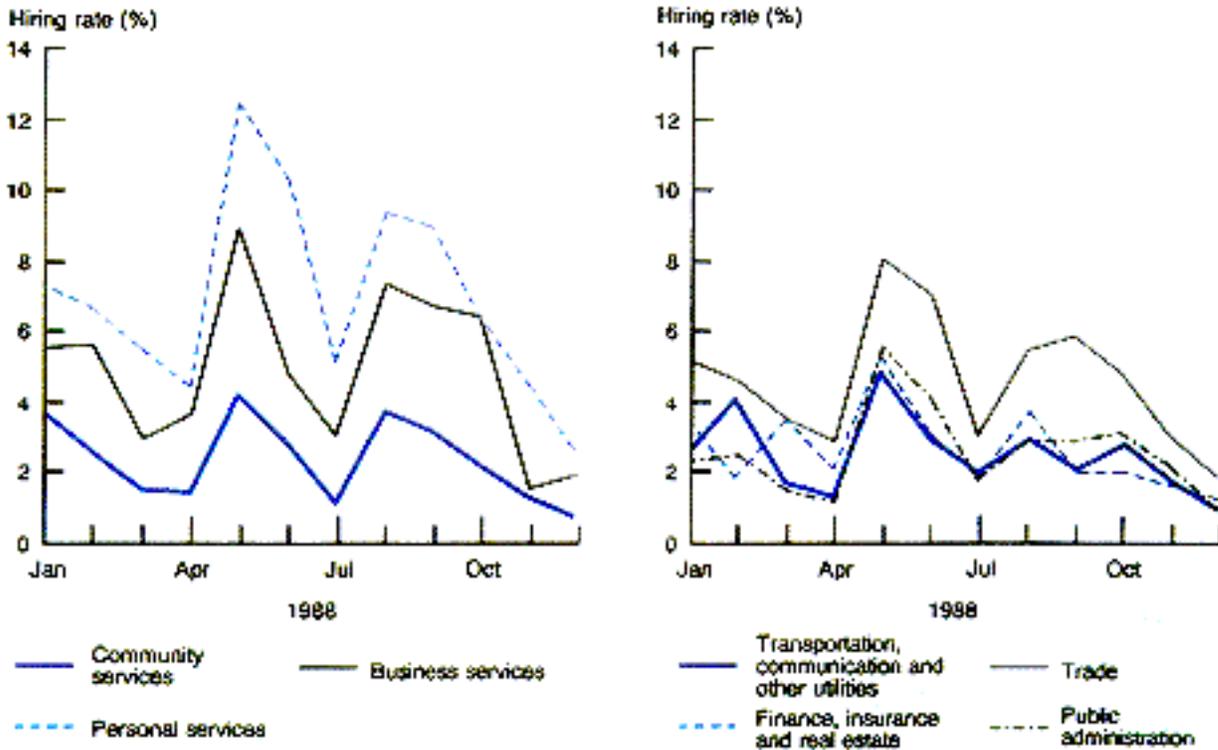
** Includes forestry, fishing and mining.*

*** Includes health and welfare services, education and religious organizations.*

† Includes personal services, accommodation and food services, amusement and recreation services, and miscellaneous services.

Chart D

The highest rates in the service industries are found in personal services, business services and trade.



Source: Labour Market Activity Survey

Table 2

Distribution of full-time and part-time hirings and paid jobs by industry, 1988

	Hirings		Paid jobs	
	Full-time	Part-time	Full-time	Part-time
	%			
All industries	66	34	77	23
Goods sector	84	16	90	10
Agriculture	64	36	66	34
Other primary industries*	90	10	93	7
Manufacturing	86	14	93	7
Construction	84	16	87	13
Service sector	60	40	73	27
Transportation, communication and other utilities	73	27	87	13
Trade	58	42	67	33
Finance, insurance and real estate	78	22	86	14
Community services**	50	50	67	33
Business services	77	23	81	19
Personal services†	52	48	58	42
Public administration	73	27	85	15

Source: Labour Market Activity Survey

** Includes forestry, fishing and mining.*

*** Includes health and welfare services, education, and religious organizations.*

† Includes personal services, accommodation and food services, amusement and recreation services, and miscellaneous services.