

# Changes in job tenure

Andrew Heisz \*

It is widely thought that the tradition of steady, long-term employment is becoming less of a reality for Canadian workers. Many labour analysts believe that employers are tailoring job spells to respond to fluctuations in demand, with the result that offers of long-term employment are on the decline. They argue that firms are increasingly using a core of full-time, skilled employees and hiring temporary workers when the need arises.

There are other reasons to believe that job instability may be increasing. These include the rise in non-standard work arrangements like part-time, temporary and contract work, and the recently documented rise in earnings inequality. To the extent that these changes are related to job stability, changes in job length would also be expected. Examining job tenure is important because workers employed for the long term have more chance to build up skills, earn a high wage and gain access to career advancement opportunities. Workers employed for the short term are exposed to more spells of unemployment, have more difficulty accumulating a pension, and have more need for mid-career retraining.

Is job instability on the rise? Are short-term jobs becoming more common? Are long-term or "lifetime" jobs becoming less common? If so, for whom? This study addresses these questions by presenting estimates of the average

## About the study

Information on the duration of jobs is drawn from the monthly Labour Force Survey (LFS) for the period 1976 to 1994. In this survey, job tenure refers to the number of consecutive months a person has worked for his or her current employer.<sup>1</sup> These data measure "interrupted" job lengths since only the length of time spent in a job up to the survey date is captured. A job measured in this way may end the next day, or it may last many more years.

The methodology used in this study allows the calculation of monthly estimates of the average complete length of a new job, as well as the distribution of complete job lengths, from information on interrupted tenure. These are point-in-time estimates of what the cohort of job starters can expect to experience, assuming that current economic

conditions are maintained through the length of this employment. They are not meant to apply to jobs already in progress at the beginning of each month.

Estimates of complete new job lengths computed in this study have the advantage of avoiding several biases commonly associated with alternative measures of job tenure. Readers should refer to Heisz (1996), a more technical version of this paper, for a discussion of these biases and other details regarding the methodology.<sup>2</sup>

The sample used for this study includes all employed full- and part-time paid workers, but excludes the self-employed, students and unpaid family workers. It represents about 85% of the employed labour force in 1994.

length of a new job started over the period 1981 to 1994 (see *About the study*). To the extent that the duration of the average job started over this period has increased or decreased, it may be said that there is more or less job stability. Since it is also possible that the changes in short- and long-term jobs could be offsetting, leaving the average job length stable, the distribution of job durations from 1981 to 1994 is also examined.

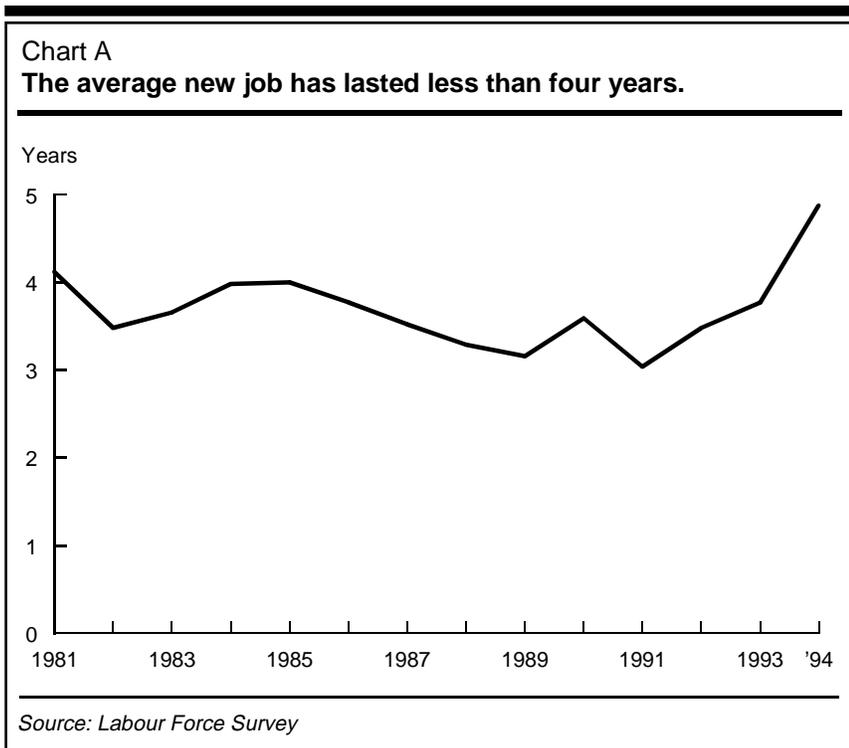
## Changes in job stability

The average duration of a job started over this period was 3.7 years. Although the average job length follows a cyclical pattern, varying from a low of 3.0 years in 1991 to a high of 4.9 years in 1994, it has shown no significant trend (Chart A). The average new job lasted 3.8 years between 1981 and 1985, 3.4 years between 1986 and

1990, and 3.8 years between 1991 and 1994.

Important changes in the distribution of completed job lengths over this period are masked by the stability in the average job length (Chart B). There was a substantial shift from jobs that lasted between one and 5 years to those that lasted one year or less. Between the 1981-85 and 1991-94 periods, the proportion of jobs that lasted between one and 5 years dropped from 21% to 16%. At the same time, the figure for jobs lasting 12 months or less increased from 59% to 64%. The fraction of jobs that lasted between 5 and 20 years (14%) and more than 20 years (6%) remained relatively unchanged between the periods. This increase in the proportion of short-term jobs combined with an unchanging proportion of long-term jobs represents a polarization of jobs.

\* Adapted from an article in Canadian Economic Observer (*Statistics Canada, Catalogue no. 11-010-XPB*) 9, no. 1 (January 1996): 3.1-3.9. Andrew Heisz is with the Business and Labour Market Analysis Division. He can be reached at (613) 951-3748.



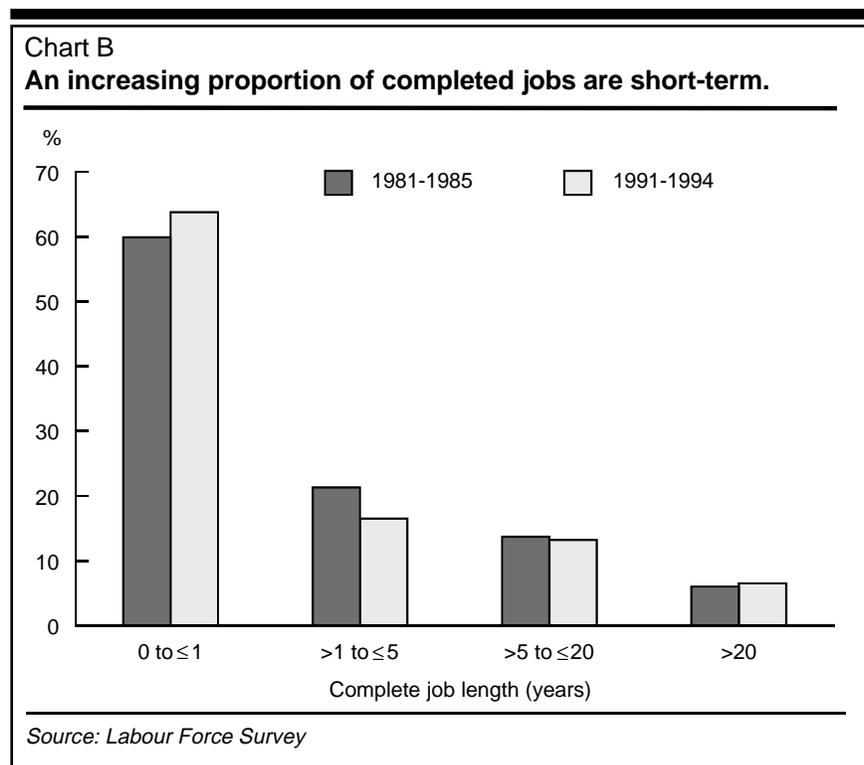
**The polarization of jobs: A closer look**

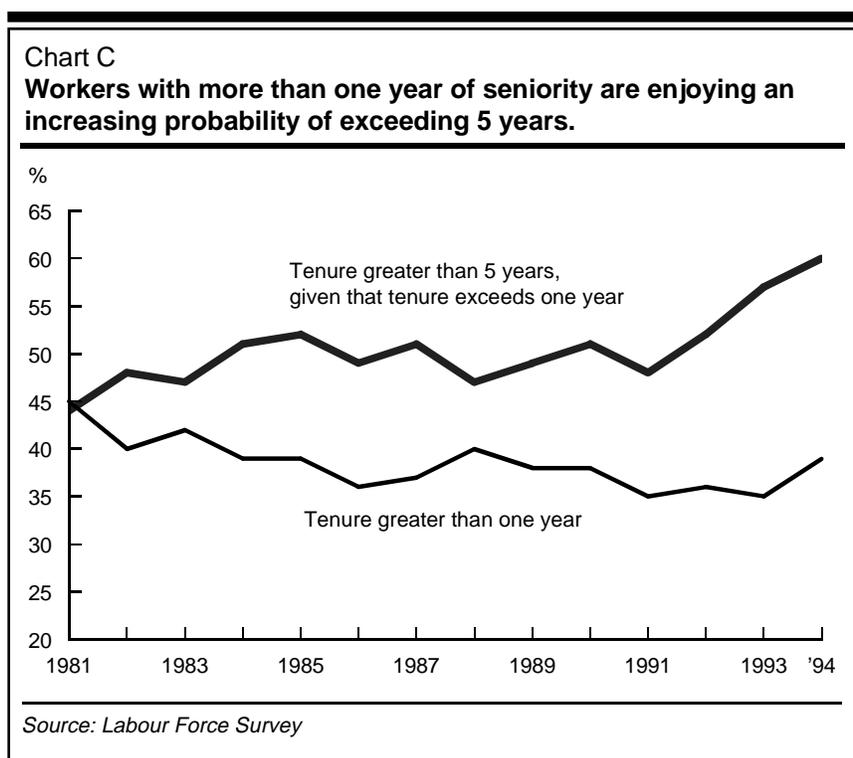
This section investigates this polarization further to see whether the pattern occurs for different groups in the economy. Polarization of job tenures could occur if some demographic groups were enjoying lengthening tenures while others were not. Alternatively, polarization could occur within all groups, suggesting that an economy-wide change is taking place.

Investigation reveals a pattern of polarization that persisted among all demographic sub-groups studied (Table 1). The proportion of new jobs lasting longer than one year declined for virtually all groups. It dropped most for the following: workers who were aged 45 and over when their jobs began, workers in Atlantic Canada and Quebec, and workers in the community services and manufacturing

How is it that the proportion of long-term jobs remained stable even though the proportion of short-term jobs increased? The answer is that once a job passed the 12-month milestone, it had a better chance of becoming a long-term job at the end of the period than it did at the beginning (Chart C).

While the proportion of new jobs that lasted more than one year declined over the period, the proportion of year-old jobs that lasted longer than 5 years increased from an average of 48% between 1981 and 1985 to an average of 54% between 1991 and 1994. The combined result is that workers with more than one year of job seniority have been enjoying increasing security, while others have found it more difficult to join their ranks.





industries. At the same time, the proportion of one year-old jobs that lasted more than 5 years rose for all groups. It increased most for the oldest and youngest age groups, for workers in Quebec and Western Canada, and for workers in the community services and manufacturing industries. This pattern of change suggests that it is not particular groups that have been responsible for the aggregate changes in job lengths; rather, the changes have been happening within each group.

Despite these changes in the distribution of job tenure, the average job duration for most groups remained steady, with some notable exceptions. First, workers aged 45 to 54 and 55 to 64 when they started their jobs experienced significantly shorter job tenures at the end of the period than at the beginning. For both of these groups, the average job length fell by 0.8 years, or 9.5 months, between 1981 and 1994. Second, workers in the Atlantic provinces experienced a decline in

the average job length of 0.5 years. Third, workers in the business and personal services industry held on to their jobs longer at the end of the period than at the beginning (an increase of 0.7 years).

The decline in average job tenure among older people starting in a new job raises the concern that these workers have experienced particular difficulty finding stable employment. One reason for this may be that older displaced workers have been left with skills not in demand and with few employment prospects. Another is they have been retiring earlier. The proportion of job starters who achieve stable employment has been declining at a much faster rate for older workers than it has for younger workers. Between 1981 and 1985, 41% of jobs started by workers aged 45 to 54 and 37% by workers aged 55 to 64 lasted more than 12 months. These percentages dropped by 10 and 16 percentage points, respectively, for the 1991-94 period. It is these large changes

in the proportion of new jobs lasting more than 12 months that account for much of the decline in average job length for older workers. The corresponding drops for other age groups were much more muted, with the result that stability for job starters dropped as the age at which the worker began the job increased.

Similar trends underlie the decline in job lengths in Atlantic Canada. In this region workers with more seniority have not been at higher risk of having their job come to an end. In fact, the proportion of 5 year-old jobs that went on to last more than 20 years rose slightly from 30% to 33% over the period. The declining average job length has been caused by a large drop in the proportion of jobs that last longer than one year. This proportion fell from 30% between 1981 and 1985 to 21% between 1991 and 1994.

### Focus on long-term jobs

An often heard argument is that because of structural changes in the economy, older workers and workers in declining industries are more at risk of losing their jobs. This study sheds some light on this question by asking what proportion of jobs that have lasted 10 or 15 years are expected to continue for at least 5 more years (Table 2). Changes in these proportions over time reveal to what extent the stability of long-term jobs has changed. These changes may not have been observed up to this point in the analysis because only a minority of new jobs reach 10 or 15 years in length.

This study shows that for each age group, the probability that a 10 year-old job would last an additional 5 years was relatively steady over the period. For example, for both the 1981-85 and 1991-94 periods, 73% of 10 year-old jobs started by workers when they were between the ages of 25 and 34 lasted an additional 5 years. The

Table 1  
**Job tenure by sex, age, region, industry and education**

	Complete job length		The proportion of new jobs lasting longer than...					
	Average	Change *	12 months		5 years, given they have lasted longer than one year		20 years, given they have lasted longer than 5 years **	
			1981-1985	1991-1994	1981-1985	1991-1994	1981-1985	1991-1994
	years					%		
<b>Total</b>	<b>3.7</b>	<b>-</b>	<b>41.0</b>	<b>36.2</b>	<b>48.3</b>	<b>54.2</b>	<b>30.7</b>	<b>32.1</b>
Men	3.6	0.1	38.2	34.2	49.6	54.5	31.1	32.4
Women	3.8	-0.1	44.6	38.6	47.2	54.0	28.8	31.1
Age when job began:								
15-24	3.7	0.4	39.4	37.2	44.1	51.8	41.7	39.1
25-34	4.3	-0.2	43.2	38.6	49.4	53.4	39.1	41.2
35-44	4.0	-0.3	43.5	38.3	55.4	57.6	25.9	22.3
45-54	3.2	-0.8	40.9	31.3	56.6	59.6	4.2	5.1
55-64	1.9	-0.8	36.8	21.0	38.5	45.6	1.1	2.1
Atlantic Canada	2.6	-0.5	29.8	21.2	49.2	53.3	30.0	32.9
Quebec	3.6	-	38.4	31.8	50.4	58.2	29.9	31.7
Ontario	4.5	0.2	46.9	45.0	52.0	54.3	32.4	32.3
Western Canada	3.4	0.2	40.6	36.8	42.8	51.6	28.6	32.7
Manufacturing	4.0	0.1	43.8	36.3	48.6	60.1	29.9	24.3
Trade	3.8	-0.4	49.6	45.7	44.0	47.2	23.8	17.6
Community services	5.4	-0.7	49.7	39.1	57.1	69.7	39.8	47.3
Business and personal services	2.7	0.7	38.7	38.6	35.1	41.4	16.1	24.8
No postsecondary	2.9 †	...	35.8	23.3	44.6	45.5	...	...
Some postsecondary	5.7 †	...	52.9	41.3	54.8	56.3	...	...

Source: Labour Force Survey

Note: Estimates for individual provinces and industries are not available because of small sample size.

\* Change implied from results of regression of 168 monthly average job length values on the unemployment rate, monthly dummy variables and a time trend.

\*\* A change in LFS definitions in 1990 prohibits calculation of these statistics by educational attainment.

† 1981-1989 only.

probability that a job that had lasted for 15 years would continue for at least 5 more declined significantly only for workers who started their jobs when they were aged 35 to 44. Jobs for these workers had a 62% probability of lasting another 5 years between 1981 and 1985 and a 51% chance of lasting 5 more years between 1991 and 1994. Long-term jobs for these workers have become less stable, but some of this change may be explained by an increased prevalence of early retirement.

Long-term jobs held by workers in certain industries have also become less stable, but this is offset by the situation in other industries. For example, the probability that a 10 year-old job in the manufacturing or trade industries would reach 15 years declined by 4 and 10 percentage points, respectively. At the same time, the probability that a 10 year-old job in the community services or business and personal services industries would last another 5 years rose by 3 and 9 percentage points, respectively.

## Conclusion

From 1981 to 1994, new jobs became more polarized into short- and long-term jobs. Although the average complete duration of jobs showed no significant trend over the period, the distribution of complete job lengths shifted from medium- to short-term jobs. This means that new job holders experienced more instability at the end of the period than at the beginning. However, once the 12-month tenure milestone was passed, workers

**Table 2**  
**Proportion of jobs lasting an additional 5 years, by selected age and industry**

	Current length of job			
	10 years		15 years	
	1981-1985	1991-1994	1981-1985	1991-1994
	%			
<b>Total</b>	<b>66.0</b>	<b>66.2</b>	<b>76.2</b>	<b>76.5</b>
Age when job began:				
15-24	71.9	70.1	91.1	91.0
25-34	72.9	73.0	84.0	82.1
35-44	67.4	62.8	61.8	51.4
45-54	42.4	42.3	--	--
Manufacturing	65.4	61.3	74.3	70.6
Trade	61.4	51.3	70.2	63.6
Community services	74.8	77.6	75.6	80.5
Business and personal services	47.7	56.8	76.3	78.4

Source: Labour Force Survey

enjoyed greater job stability, with the result that the proportion of long-term jobs remained unchanged. This result persisted across all sub-groups, except for older workers and workers in Atlantic Canada, where the shift to short-term jobs caused shorter average job lengths.

The degree and persistence of job polarization into long- and short-term jobs point to a significant trend. The presence of this change within all demographic and industrial groups suggests that it has not been driven by changes particular to any group or sector of

the economy. Rather, an economy-wide explanation may be required. Increasingly, firms seem to be using a core of long-term employees, leaving more Canadians with less stable jobs.<sup>3</sup> □

### ■ Notes

1 An employee may have worked in several different occupations with the same employer and still be considered to have continuous tenure. If a worker has been with the same employer over different periods of time, then the tenure measures the most recent period of uninterrupted work. See Statistics Canada (1992) for more details.

2 This methodology was originally developed for the analysis of unemployment spells (Sider, 1985; Corak, 1993, and Corak and Heisz, 1996).

3 For another perspective on job polarization, see "Key labour and income facts" in this issue.

### ■ References

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