

# The labour market: Year-end review

Ernest B. Akyeampong

The past three years – all of them economic expansion years – have painted very different labour market pictures. In terms of employment, both the strength and the pattern of growth differed from one year to the next. In 1996, that is, from December 1995 to December 1996, the increase (189,000) was half the strong showing of 1994 (381,000), but almost double that of 1995 (99,000). Furthermore, while growth was steady throughout 1994, it stalled until the latter half of 1995 and performed erratically in 1996. More than half the increase of the first four months was lost over the following couple of months, a pattern that was more or less repeated in the second half of the year (Chart A).

In terms of unemployment, the magnitude and direction of change also varied significantly from year to year. The unemployment rate saw a large decline in 1994 (from 11.2% at the close of 1993 to 9.6% a year later), a small and gradual decline in 1995 (to 9.4%), and an erratic but upward trend in 1996 (to roughly 10.0% during the last three months).

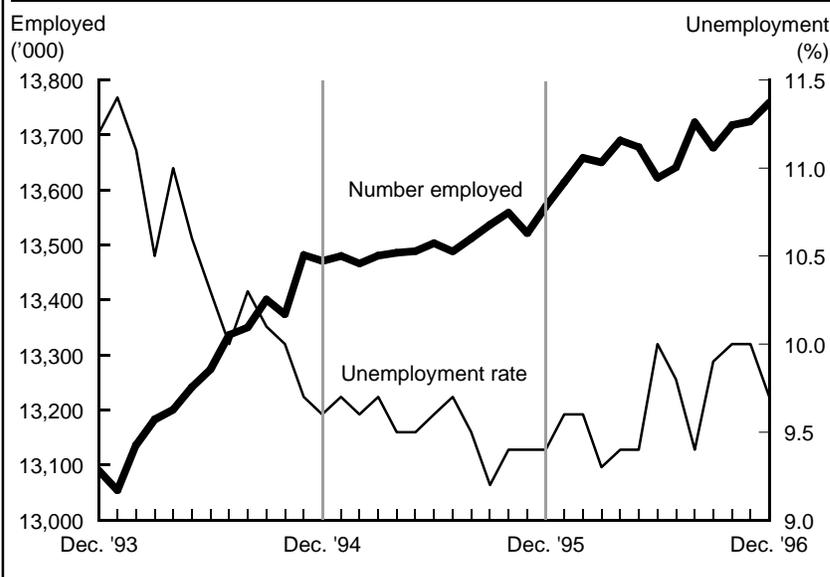
## The economic environment

Lags and leads notwithstanding, these labour market developments were influenced by concurrent macroeconomic and other circumstances of the last three years. Some of these developments are worth noting (Chart B).

Except for a few deviations (third-quarter 1996 being one example), the employment picture

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Chart A  
The unemployment rate rose in 1996 because labour force \* growth outpaced employment gains.



Source: Labour Force Survey

\* Includes both the employed and unemployed.

appeared to be closely associated with movements in real gross domestic product (GDP), the broadest measure of economic performance. The strong quarterly GDP growth rates throughout 1994 fell off dramatically in 1995, especially during the first half of the year. From the third quarter of 1995 to the second quarter of 1996, the GDP grew slowly (at around 0.3%), then increased by 0.8% in the third quarter. The slower employment growth during the second and third quarters of 1996 also appears to be related to the fact that businesses resorted more to non-farm inventory liquidation than to accumulation.

Personal spending on goods and services also plays a significant role in both GDP and employment growth. Although interest rates began to drop in the spring of 1995, overall growth in personal spending that year was only one-half the

This article is based on information available as of January 10, 1997. Unless otherwise noted, monthly data have been seasonally adjusted to provide a better picture of underlying trends. Seasonal movements are those caused by regular annual events such as climate, holidays, vacation periods, and cycles related to crops and production. Seasonally adjusted series still contain irregular and longer-term cyclical fluctuations.

increase in 1994 (1.4% versus 2.9%). The surge during the first three months of 1996 (1.3%) was short-lived. Despite the continued decline in borrowing costs and low inflation, growth in personal spending in the second and third quarters was very sluggish: 0.2% and 0.3%. This reluctance to spend can be attributed to several factors: the small increase in real personal incomes; continued high levels of personal debt; and job insecurity due in part to persistently high unemployment rates, high personal and business bankruptcy rates and low confidence in the economy's prospects. In addition, fiscal restraint practices of governments tended to dampen growth in total domestic demand.

Exports, especially merchandise, play an important role in Canada's employment growth, though these two indicators do not necessarily move in step. Year-over-year growth in merchandise exports has tapered off over the past three years: from 15% in 1994, to 12% in 1995 and 6% for the first three quarters of 1996 compared with the same period in 1995. In spite of this, GDP growth continues to be fuelled mainly by the export sector.

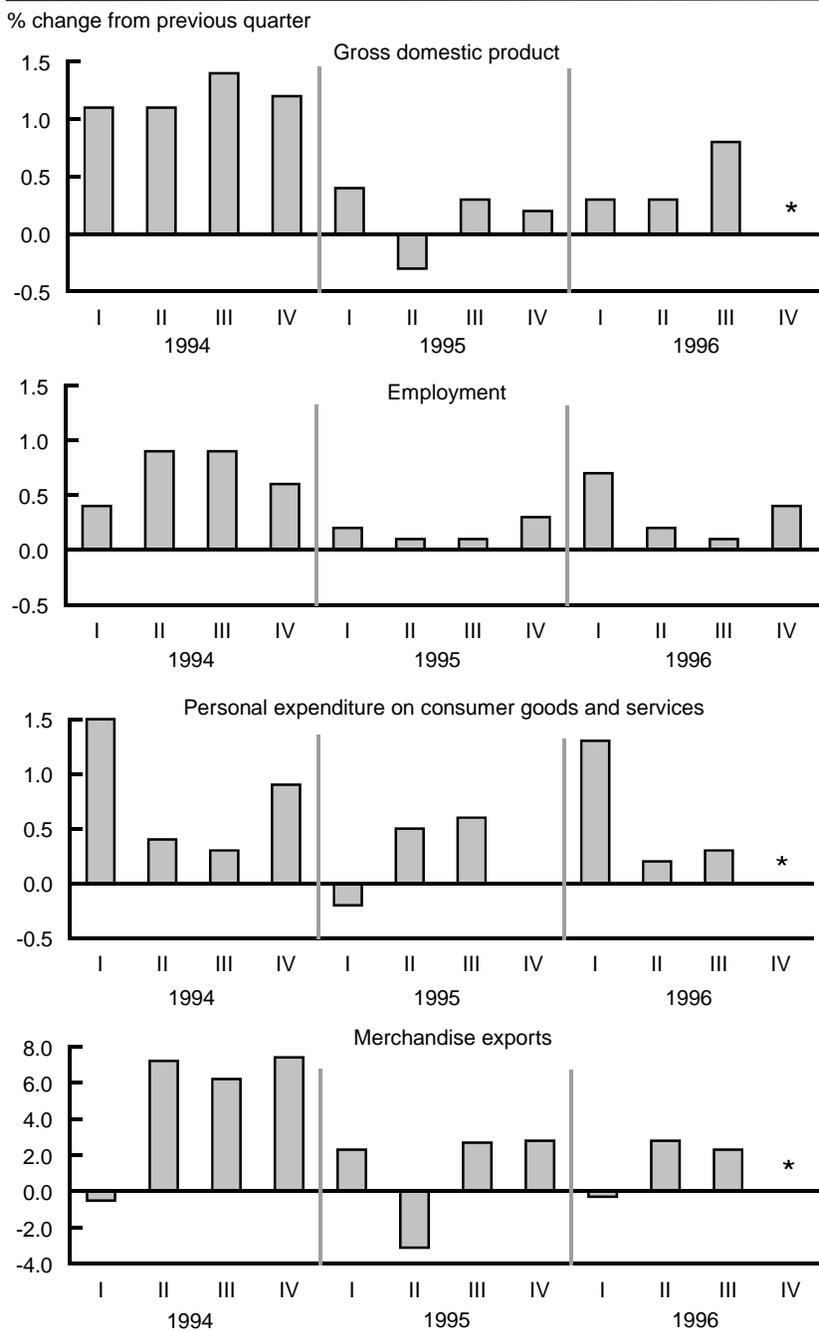
### How has employment changed?

Not only did the strength and pattern of employment growth differ from year to year; so too did its split between full- and part-time work; its demographic, industrial and geographic distributions; and its breakdown between paid workers and the self-employed.

### Full-time/part-time work

All employment growth from December 1993 to December 1994 was full-time (436,000). Indeed, part-time employment in 1994 declined by 55,000. This picture was reversed in 1995, when part-time

**Chart B**  
**Employment growth is closely associated with movements in the GDP.**



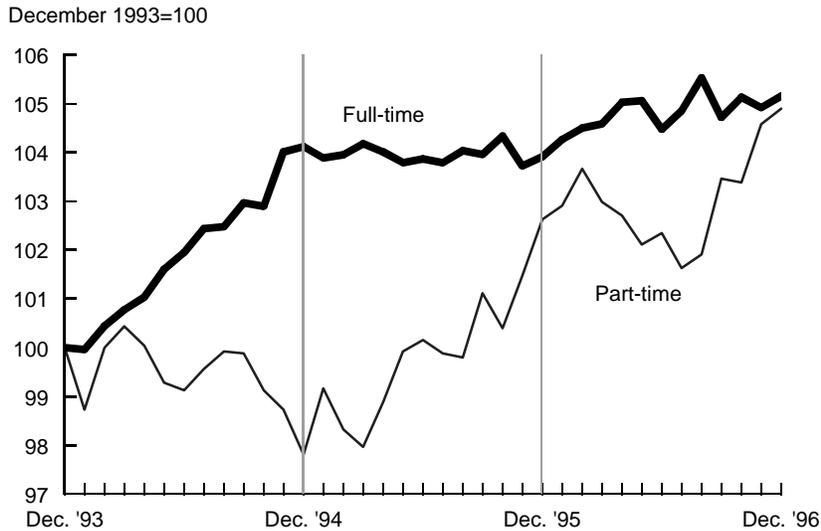
Sources: Labour Force Survey, and National Accounts and Environment Division

Note: Scale for merchandise exports differs from the others.

\* Data not available.

Chart C

**Unlike the situation in 1994 and 1995, both full- and part-time employment contributed to job growth in 1996.**



Source: Labour Force Survey

adult women (110,000 or 2.1%) exceeding that of adult men (99,000 or 1.6%). Youths continued to see their employment numbers dwindle (-20,000 or -1%). All employment gains among adult men in 1996 were full-time, while two-thirds of adult women's were part-time.

**Industry shares**

Both goods- and service-producing industries enjoyed strong employment gains in 1994. In absolute and relative terms, however, growth in the goods sector (209,000 or 6.1%) exceeded that of the service sector (171,000 or 1.8%). Over the course of the following year, the service sector saw its employment levels rise by 131,000, while the goods sector registered a loss of 35,000. In 1996, as in 1994, employment growth was concentrated in the goods sector, accounting for slightly over one-half (103,000) of total gains throughout the year –

jobs (121,000) accounted for all employment growth, and full-time employment declined by 22,000. In 1996, job growth was both full-time (132,000) and part-time (57,000) (Chart C).

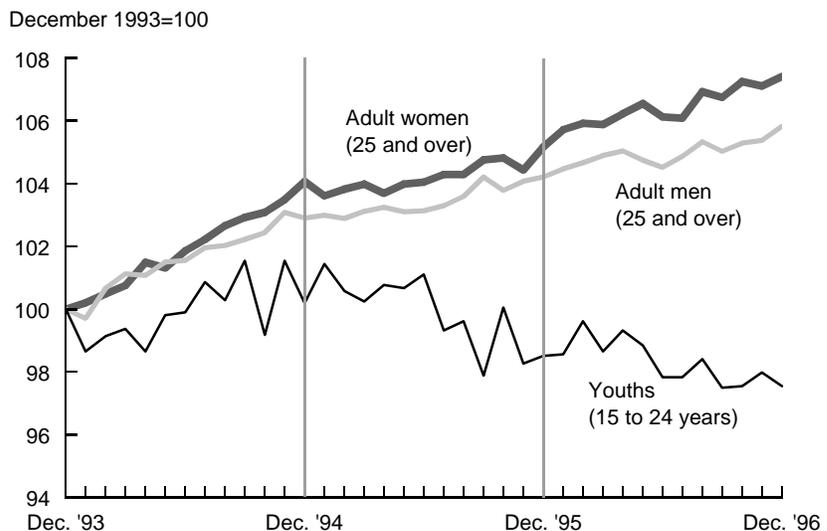
**Demographic distributions**

Except for 1994, when youths (15 to 24 year-olds) saw a marginal rise (4,000), job gains in the past three years have gone to adult men and women (aged 25 or over). However, their respective shares of the gains have varied over the period (Chart D).

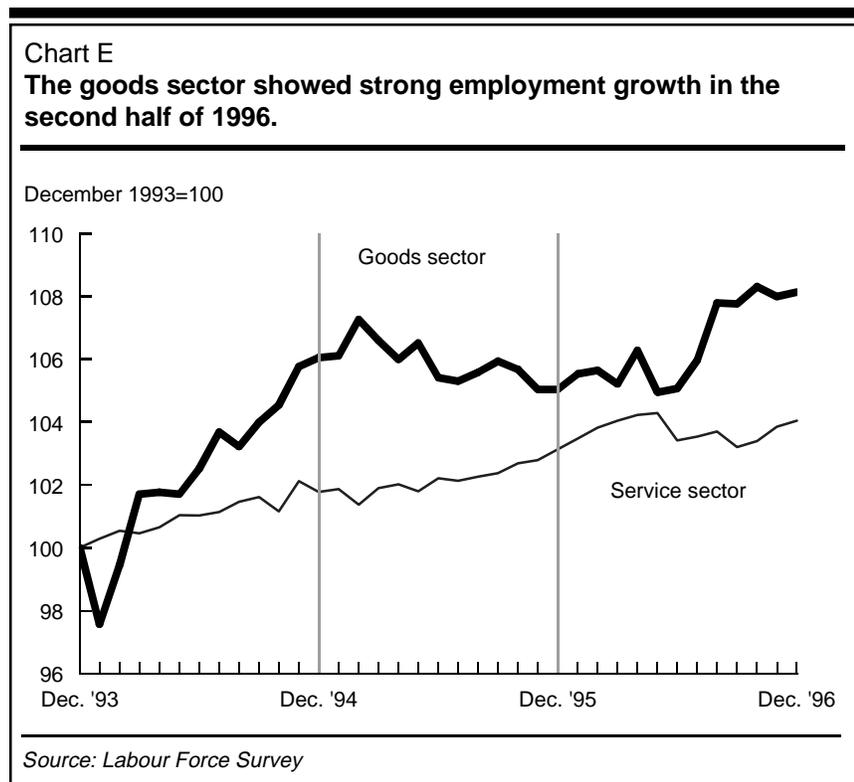
In 1994, employment gains by adult women (199,000) slightly exceeded those of adult men (178,000). The following year, the picture was reversed: men's gains (80,000) surpassed women's (54,000). That year, youth employment fell by 35,000. This past year saw a return to the 1994 distribution pattern, with growth among

Chart D

**Adult employment has seen sustained growth, while youths continue to lose ground.**



Source: Labour Force Survey



much higher than its one-quarter share of the workforce (Chart E).

The goods sector owed its strong performance in 1996 to the large employment increase in manufacturing (70,000 or 3%) – mostly in metal fabricating, electronic and wood products – and in agriculture (32,000 or 7%) (Chart F). A year earlier, these two industries had each lost employment. Last year’s industrial strife in the auto sector does not appear to have had a major effect on employment growth in manufacturing, while the large increase in agricultural employment can be linked to the bumper grain harvest. By mid-1996, employment in the construction industry, in decline since late 1994, had begun to show some strength, though volatile, thanks to increased activity in both residential and non-residential construction. The rally was not strong enough, however, to prevent the loss of 3,000 jobs in 1996. New housing appears not to have been

as popular with home buyers as homes in the resale market, hence the moderate residential construction activity. Employment remained unchanged in the other primary industries.

The rather weak employment growth in the service sector in 1996 can be traced largely to poor performance in services. Employment gains there had totalled 170,000 in 1994 and 120,000 in 1995, but reached only 52,000 or 1.0% in 1996. Large employment losses in some public services (namely, health, education and social services) offset gains elsewhere, notably in services to business. Finance, insurance and real estate began the year with some impressive employment gains (in finance), but then gave way to even greater losses. Strong gains in autumn, again in finance, resulted in an overall industry employment growth of 8,000 (1.0%) in 1996.

Employment gains were recorded in both trade (42,000) – mostly wholesale trade – and public administration (27,000) in 1996, but losses were registered in transportation, communication and other utilities (-31,000), mainly in communication.

### Provincial distributions

While all provinces shared proportionately in the strong employment growth of 1994, the moderate job gains of 1995 were concentrated in Quebec, British Columbia, Alberta and Nova Scotia. In 1996, all provinces east of Ontario recorded employment losses, while Ontario and the western provinces registered gains (Chart G).

Between December 1995 and December 1996, Newfoundland saw employment gains in only three months, with losses or no gain in the others. It ended the year with a loss of 8,000 (-4.1%).

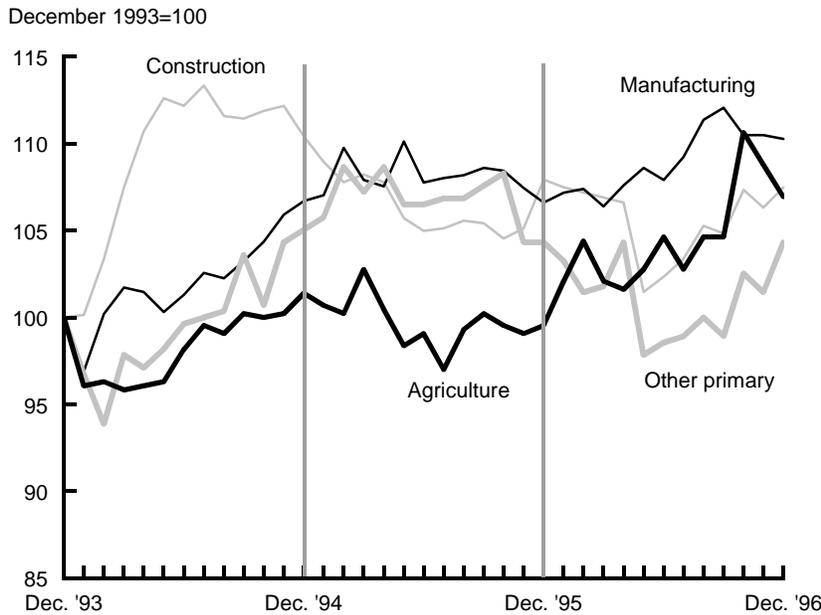
In Prince Edward Island, employment levels moved very little during the first eight months of 1996. Then, slight and consecutive declines brought the year-end level to just 1,000 (-1.6%) less than that of December 1995.

In Nova Scotia, half the employment losses in the first three months were regained in the second quarter. This was quickly followed by another large loss in July. Since then, employment has edged up only slightly, and the level at the close of the year was 9,000 (-2.3%) lower than a year earlier – a reversal of the 14,000 gain in 1995.

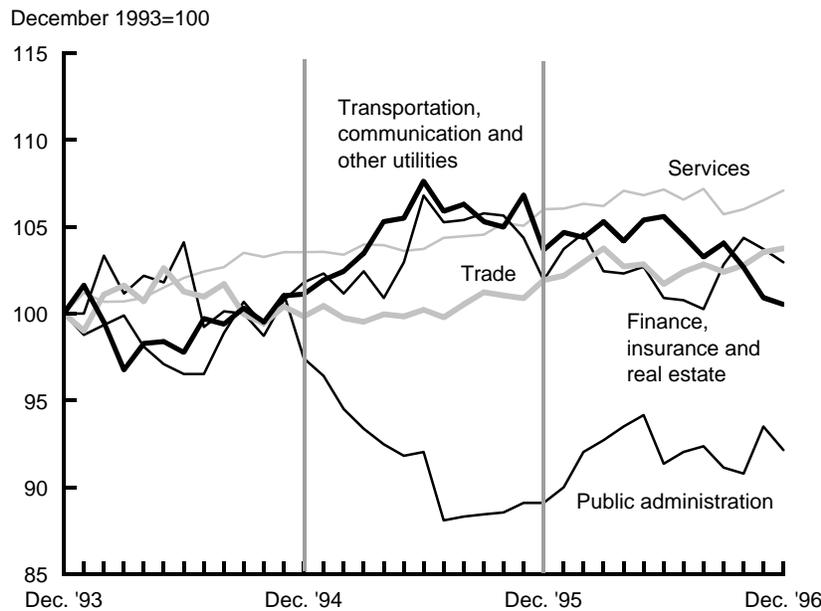
Employment levels fluctuated in New Brunswick in 1996, but the monthly losses exceeded the gains, and the province ended the year with a loss of 8,000 – larger than the 5,000 drop in 1995.

In 1995, Quebec had recorded the largest employment gain (40,000) among the provinces; in 1996, it posted a loss (-18,000 or -0.6%). Following some very early

**Chart F**  
**Manufacturing and agriculture fuelled employment growth in the goods sector in 1996 ...**



**while job losses in public services \* and communication contributed to a lacklustre service sector performance.**



Source: Labour Force Survey

\* Public services, namely, health, education and social services, is part of the services industry.

gains, the province lost 90,000 jobs during March through July, mostly in trade and public services. About half of these losses were regained in August. The next five months saw minor losses offset by a slight gain at the end of the year.

Ontario painted a fluctuating employment picture during the first half of 1996, but increased activity in manufacturing fuelled an upward trend during the second half of the year. In absolute terms, Ontario's employment gain (77,000) amounted to 40% of the overall national increase; its employment growth rate (1.5%) just barely exceeded the national figure of 1.4%. In spite of the employment declines during the last two months, mostly in communication and public services, the province's overall job increase in 1996 was almost six times the gain in 1995 (13,000).

Manitoba showed no change in employment in 1995. The trend in 1996, however, was upward, fuelled mainly by trade, providing a gain for the year of 19,000 (3.7%).

Saskatchewan lost jobs in 1995 (-4000). Monthly employment gains and losses in 1996 almost cancelled each other out, and the province ended the year with just 1,000 more jobs.

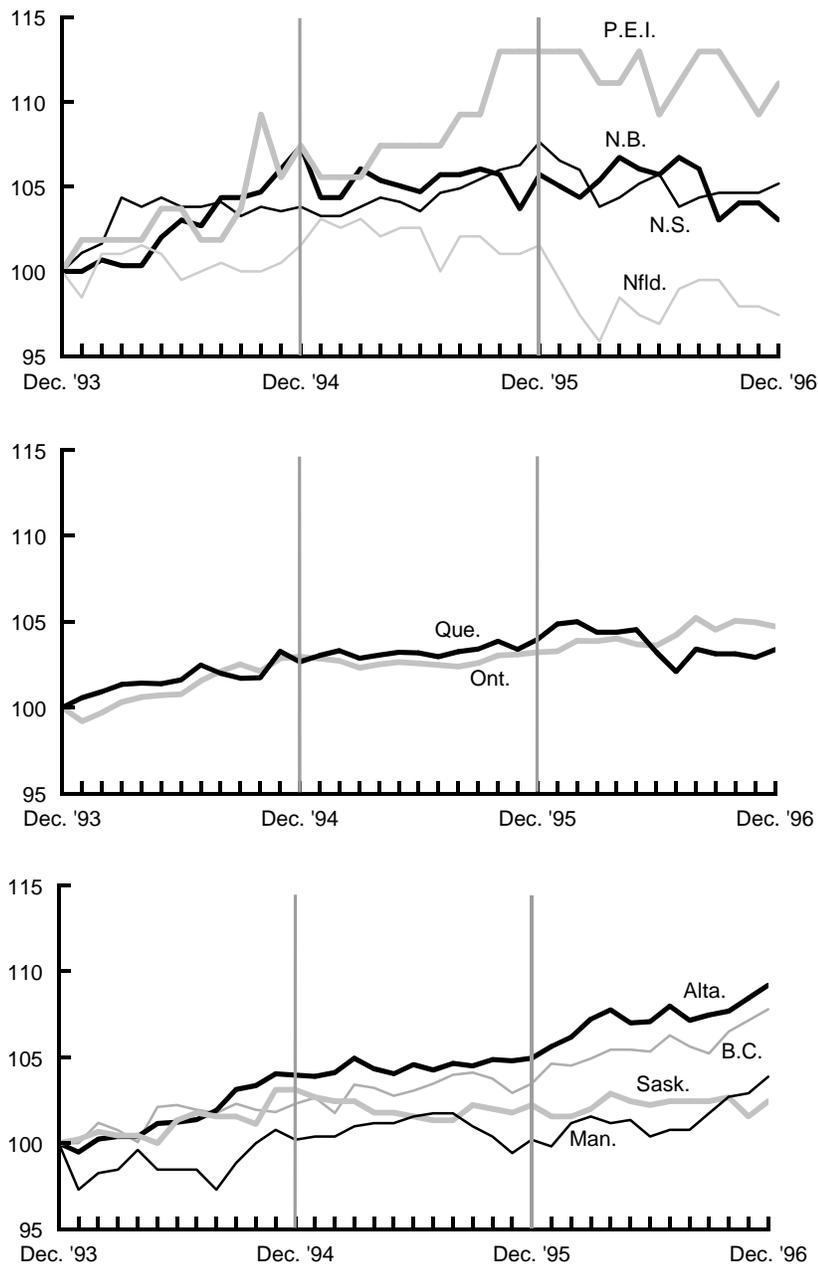
Alberta and British Columbia are the only provinces to have registered sustained upward trends in their employment levels from 1994 to 1996. Indeed, last year their rates of employment growth (4.1% [56,000] and 4.2% [74,000]) were about three times larger than that of the nation as a whole. Furthermore, the job gains in these two provinces were more widespread across industries.

**Self-employment growth fastest**

With all levels of government practising fiscal restraint, the decline in public sector<sup>1</sup> employment that

**Chart G**  
**In 1996, Quebec and the East saw employment drop while Ontario and the West posted gains.**

December 1993=100



Source: Labour Force Survey

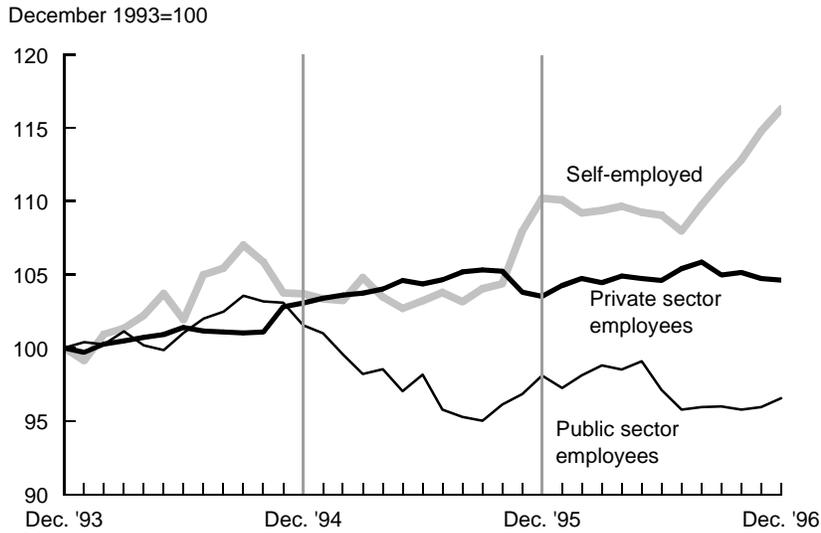
began during the latter part of 1994 accelerated in 1995. The decreases continued into 1996, though at a slower pace. Employment losses in this sector totalled 33,000 (-1.6%) last year, almost all of them in health, education and social services.

In the private sector, the number of employees grew throughout 1994 and most of 1995. Since the last quarter of 1995, the level has fluctuated. The increase in 1996 amounted to 98,000 (1.1%). Self-employment also grew steadily during the first three quarters of 1994. Following a brief decline, the level remained fairly flat for about a year, but climbed again in autumn 1995. The slight drop during the first half of 1996 was followed by a rapid and sustained growth in the second half. Self-employment gains over the course of the year totalled 125,000 (5.6%); self-employment now accounts for 17% (2.4 million) of total employment, up from 14% (1.7 million) a decade ago (Chart H).<sup>2</sup>

**Moonlighting on the rise**

Moonlighting, registering an annual average of some 650,000 workers from 1993 to 1995, saw a big jump in 1996, rising to about 700,000. Expressed differently, the moonlighting rate, that is, the proportion of employed persons holding more than one job, rose from around 4.9% in 1995 to roughly 5.1% in 1996. Youths as well as adult men and women contributed to this increase. Two factors may have played some role in the sudden increase. First, low increases in real earnings in recent years may have forced many workers to take on additional jobs to help make ends meet. Indeed, results from the 1991 and 1995 Surveys of Work Arrangements show that more than half of moonlighters take additional jobs for financial reasons

**Chart H**  
**Self-employment experienced rapid growth in the second half of 1996.**



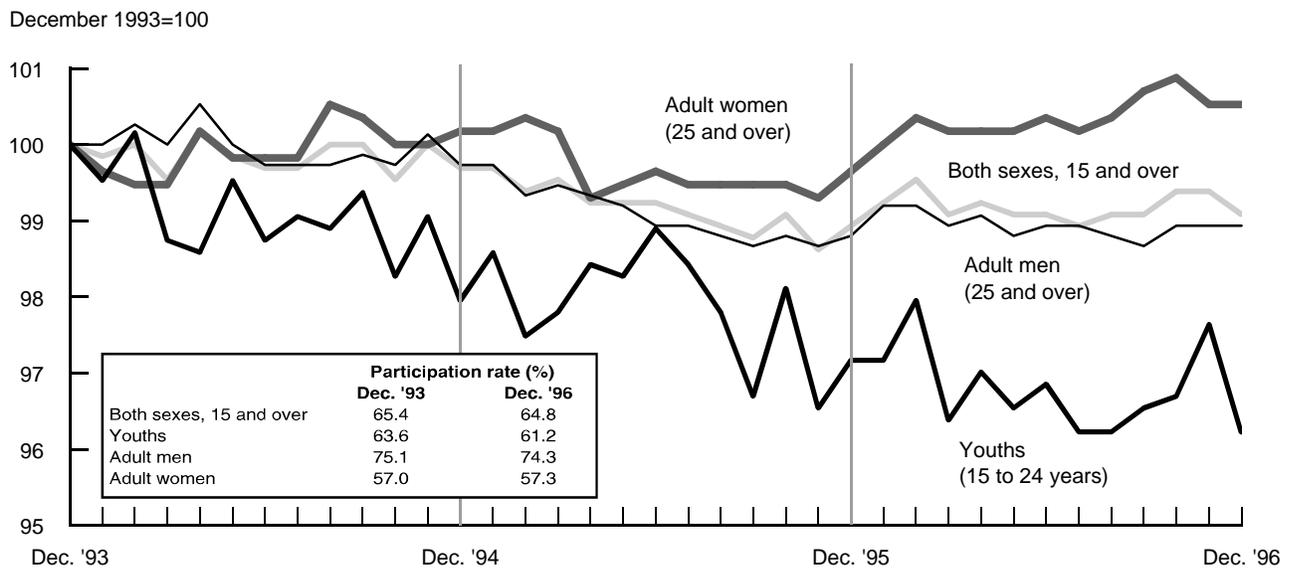
Source: Labour Force Survey  
 Note: See note 1 for definitions.

(Siroonian, 1993). Second, the perceived erosion of job security in recent years may have pushed some people to take a second job as a buffer against sudden unemployment.

### Unemployment

Movements in the overall unemployment rate are the result of the interactions between employment and labour force<sup>3</sup> changes. In 1994, growth in employment tended to outpace that of the labour force, causing the unemployment rate to decline. In 1995, however, the two measures tended to move in tandem, making little difference to the unemployment rate. Employment growth in 1996 (189,000), though erratic, was nevertheless better than the year before, but it was accompanied by an even greater increase in the labour force (263,000). The result was a rise in the unemployment rate. On an annual average basis, the overall

**Chart I**  
**The overall participation rate inched up in 1996, thanks to the resumption of the upward trend for adult women.**



Source: Labour Force Survey

unemployment rate fell from 10.4% in 1994 to 9.5% in 1995, then rose to 9.7% in 1996.

This interplay of movements in overall employment, the labour force, and the unemployment rate held true all three years for both adult men and women and, to a large extent, for youths. Men's annual rate fell from 9.4% to 8.4%, then rose marginally to 8.5% in 1996. The corresponding rates for adult women were 8.9%, 8.2% and 8.4%, and for youths, 16.5%, 15.6% and 16.1%.

Quebec and the Atlantic provinces each registered a double-digit annual average unemployment rate in 1996, ranging from 11.7% in New Brunswick and 11.8% in Quebec to 19.4% in Newfoundland. Ontario and the western provinces each recorded a single-digit rate, ranging from 6.6% in Saskatchewan (one-third the rate of Newfoundland) to 9.1% in Ontario.

The annual average number of unemployed Canadians, as well as the average unemployment duration (the average number of weeks unemployed persons have continuously sought work without success), moved in line with the unemployment rate. The number of unemployed fell from 1,541,000 in 1994 to 1,422,000 in 1995, and rose to 1,469,000 in 1996. Similarly, average unemployment duration moved from 25.7 weeks to 24.3, to 28.0. (In 1990, the average duration had been 16.8 weeks.) In 1996, about one in 8 unemployed persons sought work without success for between six months and one year; a similar proportion had done so for more than a year.

## Participation rate inches up

As noted earlier, last year's growth in the labour force (263,000) exceeded that of employment (189,000). Adult women accounted for about half the year's labour force growth, their participation rate having risen from 56.8% at the end of 1995 to 57.3% by December 1996 (Chart I).

The participation rate has fluctuated for the last six years, following a sustained annual growth that lasted more than two decades (Akyeampong, 1995; Butlin, 1995; Dumas, 1996; Macredie, 1996). Still, the 1996 annual average of 57.2% is the highest ever recorded for adult women. In fact, their strong showing alone managed to nudge the overall rate from 64.8% in 1995 to 64.9%.

In contrast, adult men's participation rate has seen annual declines for the past two decades, with the exception of 1996 (74.3%), which differed little from 1995. The rate increased early in the year, falling back in the second quarter to 74.3%, and remaining fairly flat. The youth rate has also trended downwards this decade, with 1996 no exception, although the last quarter produced a slight increase. Youths' annual average participation rate for 1996 (61.6%) was down from 62.2% in 1995.

## International comparisons

Among the G-7 countries,<sup>4</sup> Canada's annual average employment growth (1.3%) in 1996 was bettered only by that of the United States (1.4%). Preliminary estimates<sup>5</sup> show comparable growth rates of around 0.5% in Japan and Italy,

just 0.2% in the United Kingdom and 0.1% in France. Germany<sup>6</sup> experienced a 0.9% decline.

In terms of unemployment, the data suggest a slight widening of the gap between Canadian and U.S. annual average rates. In 1996, the rates were 9.7% versus 5.4%; a year earlier, they had been 9.5% and 5.6%. Preliminary estimates also indicate that among the G-7 countries, only France (12.5%) and Italy (12.2%) had rates higher than Canada's. Japan's rate of 3.4% was about one-third that of Canada; Germany's and the United Kingdom's stood at 7.2% and 8.2%.

## Summary

Despite continuing sluggish domestic spending, employment growth in 1996, though erratic, was better than that of 1995, thanks mainly to exports. In spite of this, the unemployment rate increased in 1996 because labour force growth was even greater.

Employment growth in 1996 was not universal, however. Higher-than-average growth rates were recorded especially in Alberta and British Columbia, as well as in the goods sector, among adult women, and in self-employment. However, in Quebec and the Atlantic provinces, among young people, and in the public sector, there were actually some job losses.

In 1996, both adult women's labour force participation rate (which had fluctuated in recent years) and the multiple job-holding rate (which had remained virtually unchanged) resumed their upward trends. □

## ■ Notes

1 The public sector includes employees working for the federal government, provincial or local governments, agencies or other government bodies, Crown corporations, or government-owned institutions such as schools or hospitals. The private sector includes all other employees and the self-employed. The self-employed are working owners of businesses (incorporated or unincorporated), professional practices or farms. On Chart H, the line labelled "self-employed" also includes unpaid family workers (persons who work without pay on a farm or in a business or professional practice owned and operated by another family member living in the same dwelling).

2 Results from the 1995 Survey of Work Arrangements (SWA) show that the main reasons for engaging in self-employment were enjoyment of independence (42%), carrying on a family business (17%), no other work available (12%), and a desire to make more money (10%) (Akyeampong, 1997).

For another look at SWA data on the self-employed, see "Key labour and income facts" in this issue.

3 The labour force includes both the employed and unemployed.

4 The G-7 countries are Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

5 These estimates were produced by the U.S. Bureau of Labor Statistics, based on data available at the end of 1996. All data approximate U.S. labour market definitions so as to make the comparisons meaningful.

6 Figures for Germany refer to the Federal Republic of Germany before unification.

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