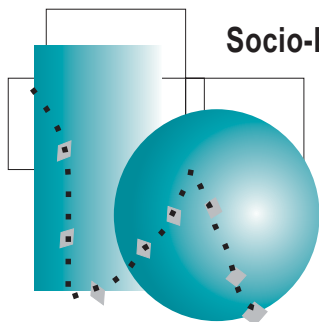


Socio-Economic Studies



# Quarterly Labour Market and Income Review

## Current Labour Market Conditions and Outlook

By Christian Dea, Bob Dugan, Stan Kustec, and Mario Lapointe

### The US economy is gathering momentum after a period of weakness

There was a simultaneous slowdown of economic activity in all of the world's major economies in 2001. The United States went into recession in March 2001, a situation that was exacerbated by the terrorist attacks of September 11<sup>th</sup>. However, the recession appears to be over, thanks to a combination of accommodating monetary policy, tax cuts, and increased government spending (particularly on security). Interest rate-sensitive sectors of the economy are leading the way out of the downturn as they respond to substantial rate cuts put into place since January 2001. Indeed, after only one quarter of negative growth, the US economy bounced back and in the first quarter of 2002 experienced strong above-potential growth.

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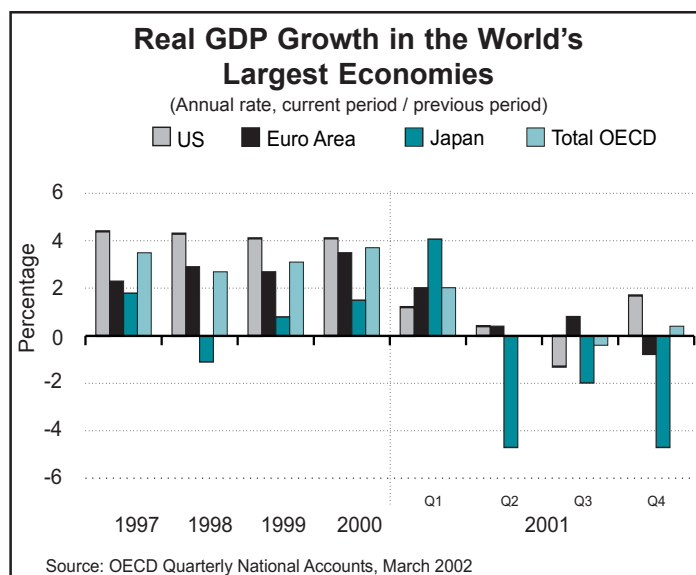
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### A simultaneous slowdown in the world's major economies depressed global economic growth in 2001

The first half of 2001 saw a marked slowdown in global economic growth. Unlike the previous downturn, which had taken place in the wake of the Asian economic and financial crisis in 1998, the recent slowdown affected the world's major economies simultaneously. Japan, whose economy has been stagnant through much of the past decade, fell into recession early in 2001. The big economies of Europe, including Germany, France, and the United Kingdom, also weakened considerably. Most importantly for Canada, the US economy began to falter late in 2000 and continued to deteriorate in 2001.



### The slowdown was particularly severe in the United States, where the economy went into recession in March 2001

In the United States, the trouble began in the high-technology industries, which, until August 2000, had been one of the main drivers of growth in the manufacturing sector. Rising



interest rates, coupled with the downward adjustment in expectations regarding the return on investments in communication and information technologies, brought on the implosion of the high-technology sector and set off a contraction in US manufacturing output. This, in turn, had adverse effects on corporate profits, investment, and stock market wealth, and led to a slowdown in business investment growth. In addition, as firms adjusted to weaker domestic demand, they began to scale back production during the second half of 2000 in order to bring inventories down to a more desirable level. The US economy continued to deteriorate through the first three quarters of 2001.

The terrorist attacks on the United States intensified the downturn in the economy, causing consumer and business confidence to deteriorate. The fall in consumer confidence was reflected in the relatively weak growth in consumer spending during the third quarter of 2001. Consumer spending on durable goods was particularly hard-hit. Business spending remained weak after September 11<sup>th</sup>, given the drop in business confidence. Exports and imports also fell substantially, reflecting the increased border security, which interrupted the flow of goods into and out of the United States.

### **Monetary and fiscal policymakers have been active in trying to engineer a recovery**

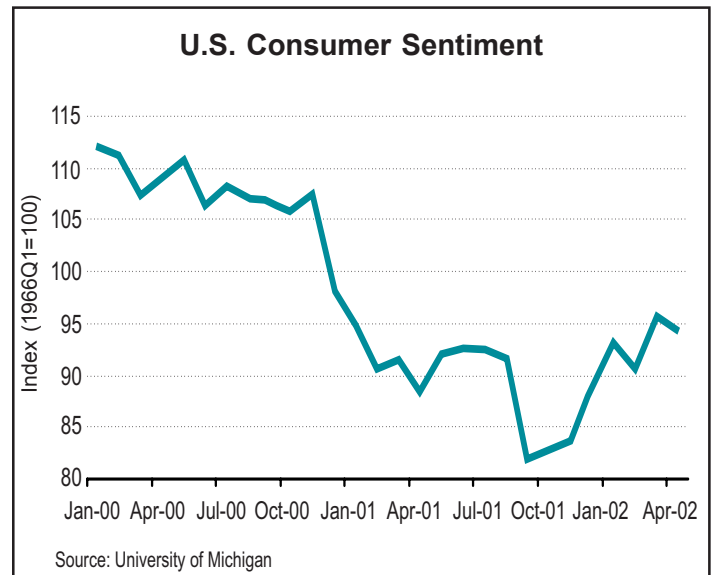
In response to the September 11<sup>th</sup> attacks, the Federal Reserve directly injected large amounts of liquidity into the financial system. Additionally, the Fed has cut interest rates aggressively over the past 15 months. The current target of 1.75% for the Fed Funds rate is 475 basis points below its value of 6.5% on January 1<sup>st</sup>, 2001 - the lowest level since 1962.

Spending by the US government in the wake of the September 11<sup>th</sup> terrorist attacks has contributed to economic growth. Specifically, the Congress approved \$40 billion in emergency relief to shore up the military and rebuild devastated areas of New York City. It also approved \$15 billion (consisting of \$5 billion in direct grants and \$10 billion in loan guarantees) to help the airline industry weather the crisis. Although consideration of a broad expenditure program to boost economic activity ended when the US recovery became evident early in 2002, the Bush Administration has asked for approval of an additional \$27 billion for defence, security and other expenditures over the rest of the fiscal year.

### **Current indicators suggest that the US economy is gathering momentum**

After contracting by 1.3% during the third quarter of 2001, US real GDP rebounded in the fourth quarter and expanded by 1.7% at annual rates. The preliminary estimate for GDP growth for the first quarter of 2002 suggests that the economy lurched ahead, growing at a 5.6% annualized pace. Following a year of falling employment, there was a slight improvement in labour market conditions in April, with non-farm payroll employment rising by 43,000 (less than 0.1%). The Conference Board's leading index, which is made up of 10

indicators that provide reliable signals of future economic growth, rose by 0.1% in March. Between September 2001



and March 2002, the leading index increased by 2.9%, with all 10 components advancing.

Confidence indicators recently began to bounce back. Both the Conference Board and University of Michigan surveys of consumer attitudes have shown a rise in recent months, with substantial increases being recorded in March. While the Michigan survey's April results show a slight setback in consumer sentiment, levels remain above those that prevailed through most of 2001. Positive consumer sentiment has also been reflected in retail sales, which rose in March. Another sector benefiting from this improvement in confidence - and from low interest rates - is the housing market. Although housing starts and building permits suffered a setback in March, the level of activity remains very strong.

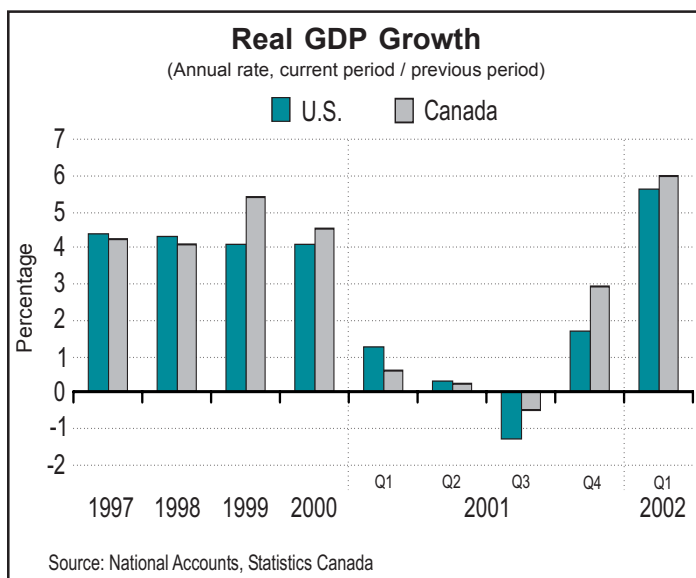
In previous downturns, the available indicators would have been enough to prompt increases in the US key interest rates. Final demand has been strengthening in recent months with consumer spending holding up well. But given that the nature of the recovery is not clear at this point, especially with the weakness in business investment, the US Federal Reserve is holding off on unwinding the monetary stimulus in the economy.

### **Strong growth in the first quarter of 2002 is evidence that the Canadian economy has bounced back**

*Well-timed tax cuts and aggressive interest rate reductions helped the Canadian economy weather the downturn last year. Growth in Canada is recovering and employment growth has been robust. Strong economic fundamentals and accommodating monetary and fiscal policies should help sustain the recovery as it becomes more broadly-based.*

## Falling demand for Canada's exports has slowed the economy's growth, but the slump is milder than in the United States

Given the strong economic fundamentals that prevailed, there was no overwhelming, "made in Canada" cause for the slowdown in this country. Rather, the current downturn was imported from our neighbours through falling US demand for our exports. Exports had been an important contributor to GDP growth in the late 1990s and in 2000. However, as the US economy slowed down, so did demand for Canadian exports. Indeed, since the fourth quarter of 2000, the volume of exports has been decreasing, having a direct impact on Canada's economic performance. The weakness in exports was mirrored in business investment in machinery and equipment, which fell sharply, reflecting a substantial decay in business confidence and weaker corporate profits, particularly in the high-technology sector. A parallel decline also occurred in imports of machinery and equipment during these quarters. As a result, Canada's economy also slowed down, but not as dramatically as in the United States. Indeed, since the second quarter of 2000, the quarter before the US economy began to falter, Canadian real GDP has expanded by 4.1%, compared to only 2.7% in the United States.



## Accommodating monetary and fiscal policies have bolstered domestic demand

On the positive side, the interest rate-sensitive sectors of the economy, such as the housing market and household purchases of durable goods, have responded to the large cuts in interest rates over the past 15 months. Since the beginning of January 2001, the Bank of Canada has lowered interest rates by a total of 375 basis points. On April 16<sup>th</sup> 2002, however, the Bank raised interest rates by 25 basis points. While this is only a small increase, it nevertheless signals that the Bank of Canada is convinced that the economy has emerged from its period of weakness and that appropriate action is now required in order to prevent the economy from overheating in 2003.

Consumer spending has also been buoyed by significant tax relief. In the February 2000 budget and the October 2000 economic statement, the federal government committed itself to a \$100 billion tax cut that will be fully implemented by the 2004/05 fiscal year. Government spending has grown at an average annualized rate of 2.2% since the third quarter of 2000.

## A number of indicators point to a burgeoning recovery in Canada

As in the United States, a number of indicators suggest that Canada's economy is gathering momentum. First and foremost, Canada's economy experienced robust growth in the first quarter of 2002, expanding by 6.0% at annual rates. Construction activity in the residential sector is strong, as shown by building permits and housing starts in recent months. Sales of new automobiles continue to benefit from attractive purchase incentives. For 2001 sales were up 0.7% from 2000, the previous record year. Unit sales of motor vehicles in the first two months of 2002 are up 16.7% from their levels in the corresponding period of 2001. Forward-looking indicators are also promising. Statistics Canada's composite index, a leading indicator of economic activity, continued to improve in February 2002, rising by 1.1% – its seventh consecutive increase and the largest gain since May 1987.

These indicators support the growing consensus among forecasters that Canada's economy is poised to rebound in 2002. According to Consensus Economics, GDP is expected to grow by 3.0% in 2002. However, a sustained period of recovery hinges on consumer spending remaining strong and on healthy growth in the United States, which will boost demand for Canada's exports and improve our trade balance. The sustainability of consumption is less certain, given that its recent strong performance has relied mainly on sales of motor vehicles and new homes, some of which were likely planned purchases brought forward by low interest rates; this could take some of the steam out of future gains. Consumer expenditures would need to be more broadly based to sustain economic growth in the future. Most private sector forecasters do not think that business investment will pick up significantly until 2003. This is corroborated by Statistics Canada's Survey of Private and Public Investment Intentions, which suggests that capital investment will fall by 1.6%, on average, in 2002.

## Conditions in the Canadian labour market are improving as strong employment growth chips away at the unemployment rate

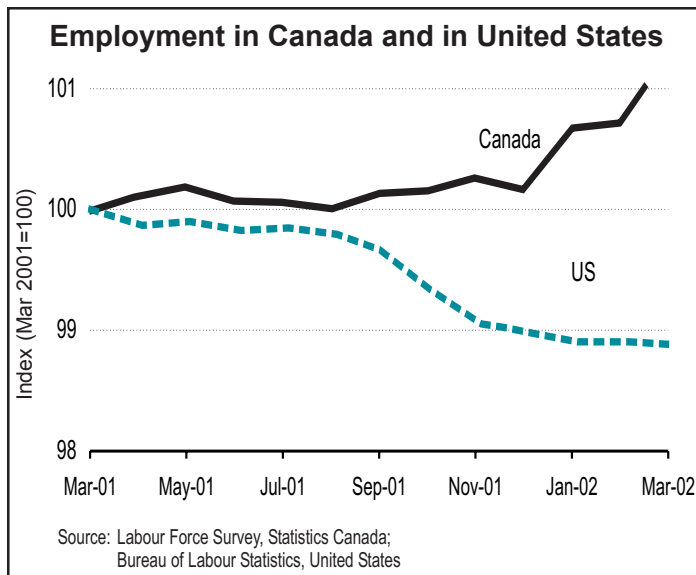
The economic slowdown in both Canada and the United States caused labour market conditions to deteriorate. Fortunately, Canadian employment continued to grow throughout 2001 and into 2002. In recent months the unemployment rate has started to fall. In the United States, workers have not been so fortunate, as a rising unemployment rate was accompanied by falling employment. The weak US economy has resulted in job losses in Canada's export-oriented industries such as computer and electronic product and transportation equipment manufacturers. Labour market conditions in Canada also deteriorated for low-skilled workers and younger workers.

## Despite the weaker economic growth, employment in Canada has continued to rise...

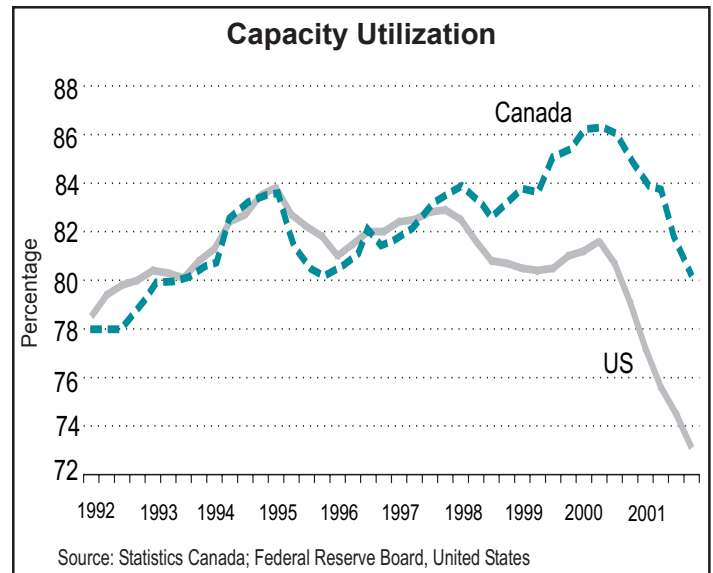
Despite the slowing economy and softer domestic and foreign demand, employment in Canada has continued to grow. The pace of growth picked up considerably in the early months of 2002. Since the start of the year, more than 206,000 net new jobs were created – a 4.2% increase at annual rates. As a result, the unemployment rate has fallen from its peak of 8% in December 2001 to 7.6% in April 2002.

## ...outperforming employment growth in the United States

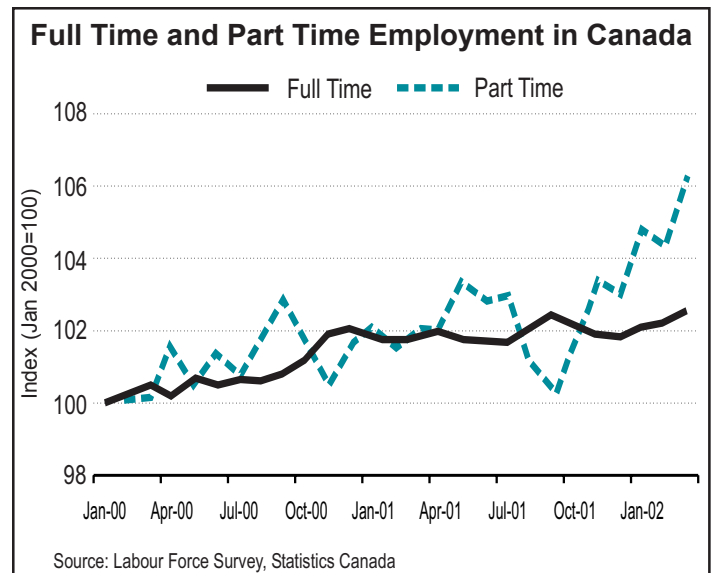
The Canadian labour market has weathered the downturn much better than its US counterpart. Job losses in the United States were significant throughout 2001: since the beginning of 2001, employment fell by 1.1 million – a decline of 0.9%. This weakness was concentrated in the manufacturing sector, where 1.5 million jobs disappeared during the period. As a result, the unemployment rate, which stood at 4.2% at the beginning of 2001, had climbed to 6.0% by April 2002. Accordingly, the difference in the unemployment rate between Canada and the US stands at 1.6 percentage points – a level not observed since June 1982. This difference is expected to widen as the US recovery progresses.



Two factors contributed to the poor performance of US employment relative to Canada's in the recent economic downturn. First, as already mentioned, the slump began earlier and has been more severe in the United States than in Canada. The second factor has to do with the behaviour of firms. When faced with lower demand for their products, firms will reduce the level of their output to reflect the new market conditions. The only way to do this in the short term is to cut back on their use of labour, which in turn will lower their capacity utilization.



Capacity utilization has fallen by about equal amounts in Canada and the United States over the past year and a half. How can it be, then, that Canadian employment has continued to grow while it has decreased in the United States? The answer is that in Canada over the past year, most of the rise has been in part-time employment. As a result, even though employment has been growing, the number of hours worked per employee has actually declined over the past year. Hours worked have also been dropping in the United States, but by much less than in Canada. The fall in hours worked in the US reflects both rising part-time employment (3.7% since the start of 2001) and decreasing full-time employment (-2.4%).

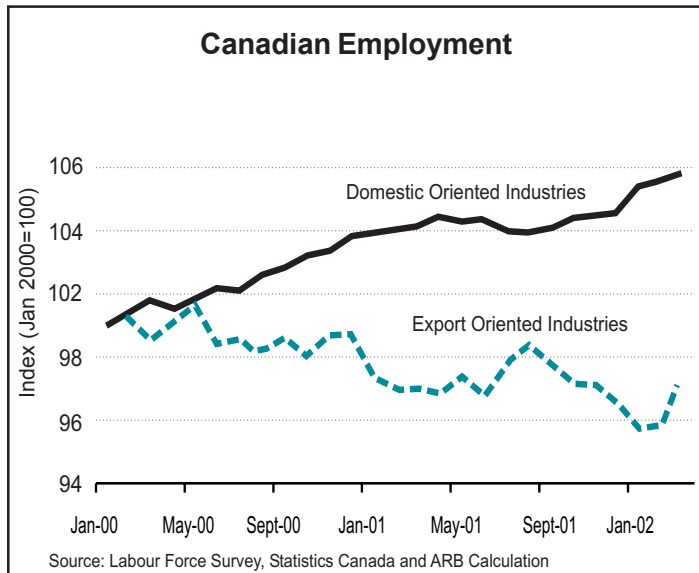


<sup>1</sup> Export-oriented industries produce goods and services consumed mainly in other countries, such as the United States. They include, among others, all primary sectors as well as manufacturers of paper, wood, petroleum, coal, primary- and fabricated-metal products, and computer and electronic products.



## Export-oriented industries have felt the impact of a slower growing world economy

While the Canadian economy continued to create jobs during the recent downturn, a diverging trend emerges when we distinguish between domestic- and export-oriented industries.<sup>1</sup> Employment in Canada's domestic-oriented industries continued to grow in the midst of the global economic turmoil, but the reverse occurred in export-oriented industries, where employment has fallen since the summer of 2000. This development illustrates one of the main channels through which a slump originating in one of our trading partners can spread to the Canadian economy.

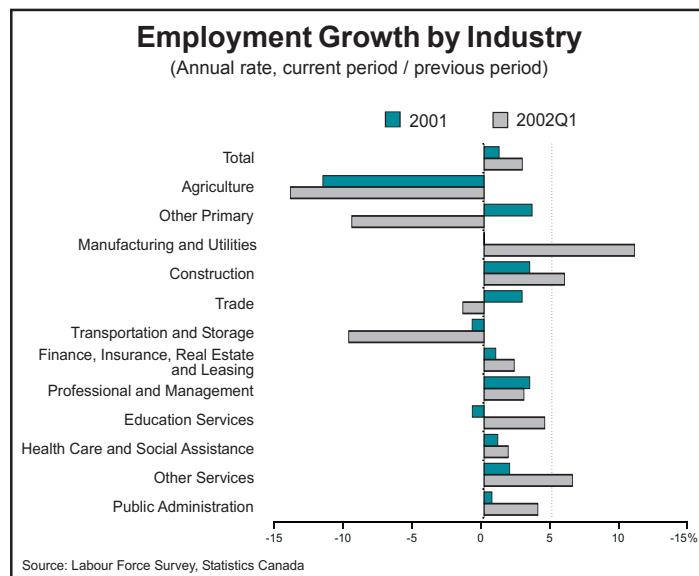


## Manufacturing employment rebounds as the economy recovers from the recent economic slowdown

A large number of Canada's export-oriented industries are found in the manufacturing sector. Therefore, it's not surprising that the slowdown in economic activity resulted in substantial employment losses in some manufacturing industries during 2001, such as producers of computers and other electrical products and of motor vehicles and related parts. Overall, manufacturing employment was flat in 2001 as the weakness in autos and computers was offset by employment gains in other industries such as garments and clothing, metal fabrication and aircraft and parts manufacturing. On a positive note, manufacturing employment rebounded strongly in the first quarter of 2002. Nevertheless, employment in these industries remains below the levels recorded during 2000.

Transportation services are also a key export-oriented industry. Increased concerns about security have had a negative impact on air travel (both business and personal), causing many air carriers to lay off a significant number of workers. Weaker economic activity has had a negative impact on bulk freight shipments between Canada and the United States while increased security measures at Canada/US border crossings

during the final quarter of 2001 had a negative impact on truck transportation services. This weakness continued to be reflected in the employment numbers in these industries for the first quarter of 2002.



The labour market situation in agriculture is largely unrelated to the current economic slowdown. Employment in this sector has been decreasing since 1998, when over 425,000 people were employed in the industry. The latest figures suggest that there are just over 300,000 people employed in agriculture now. Employment in other primary sectors has also weakened considerably. This reflects, in large part, falling employment in the forestry industry as a result of weaker demand due to the imposition of duties by the United States on Canadian softwood lumber exports.

On the positive side, a number of industries have continued to be more sheltered from the slowing economy; in particular, industries that depend on consumer spending and on the government have done well. Tax cuts and lower interest rates have kept consumer spending and the housing market strong. As a result, employment growth in trade and construction has been robust. Employment in retail trade suffered a setback in the first quarter of 2002, due to weakness in December and January, but a strong rebound in March suggests that the setback was only temporary. Industries dependent on government spending, such as public administration, health care and education, created jobs in the first quarter. This reflects increased public spending on high-priority items, which has been made possible by the budget surpluses of recent years.

## Employment growth improved in most occupations early in 2002, but employment continues to languish in primary sector occupations



Employment in occupations unique to primary industries fell dramatically in 2001 and continues to be weak in the first quarter of 2002. Much of the weakness is found in agricultural occupations, such as contractors, operators and supervisors in agriculture, horticulture and aquaculture, and agriculture and horticulture workers, for whom employment in 2001 fell by 12% and 6%, respectively. Workers in the forestry industry, such as logging and forestry workers and primary production labourers, also experienced significant employment declines.

Labour market conditions in sales and service occupations deteriorated in the first quarter of 2002 after strong employment growth last year. The fall in the rate of employment growth reflects weakness in December and January. Employment growth has since rebounded in these occupations.

The building boom in recent years has generated employment gains among trades people and among transport and equipment operators. Trades people such as carpenters, cabinetmakers, masons and plasterers, in particular, have benefited. These gains, however, were partially offset by employment losses in transport and equipment operators, such as motor vehicle and transit drivers and train crew operating occupations.

Mirroring the experience of the manufacturing sector, employment in occupations unique to processing, manufacturing and utilities was down slightly in 2001 and rebounded strongly in the first quarter of 2002. The rebound in the first quarter benefited mainly supervisors and assemblers in manufacturing.

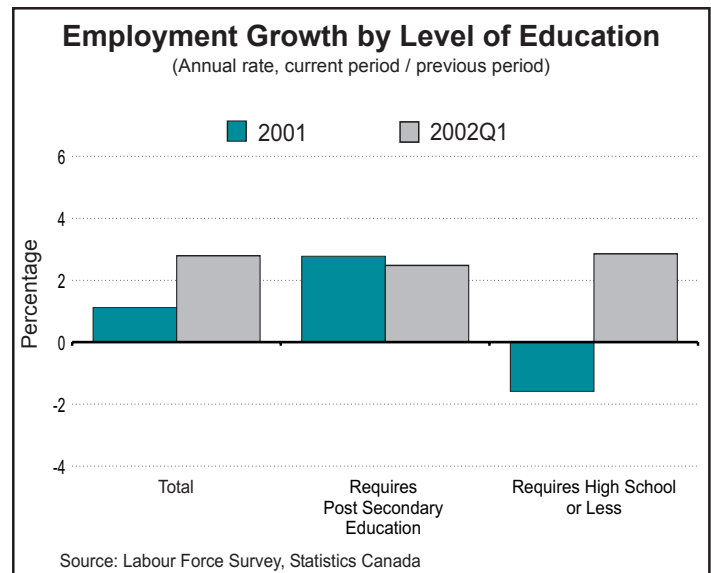
Growth in the government sector has boosted employment opportunities in occupations linked to the health sector and to social sciences, education, government services and

religion. Growth in these occupations was fairly strong in 2001 and has strengthened in the first quarter of 2002.

## Lower-skilled workers were most affected by the economic slowdown

Over the past decade, the continued expansion of the knowledge-based economy has resulted in substantial growth in occupations that require higher levels of education and training - a trend that continued into the first quarter of 2002. The economic slowdown had a definite effect on lower-skilled occupations, which are often the most vulnerable in economic downturns. In 2001, employment in occupations generally requiring a high school diploma or less decreased by 1.6%. The negative impact on low-skilled workers is not surprising, given that industries that experienced employment losses, such as the primary and transportation and storage sectors, hire a high proportion of these workers.

However, the improving labour market during the first quarter of 2002 has generated some new jobs for low-skilled workers. Employment in occupations generally requiring a high school diploma or less, such as assemblers in manufacturing and clerical and administrative occupations, shot up by nearly 2.9% (annualized).

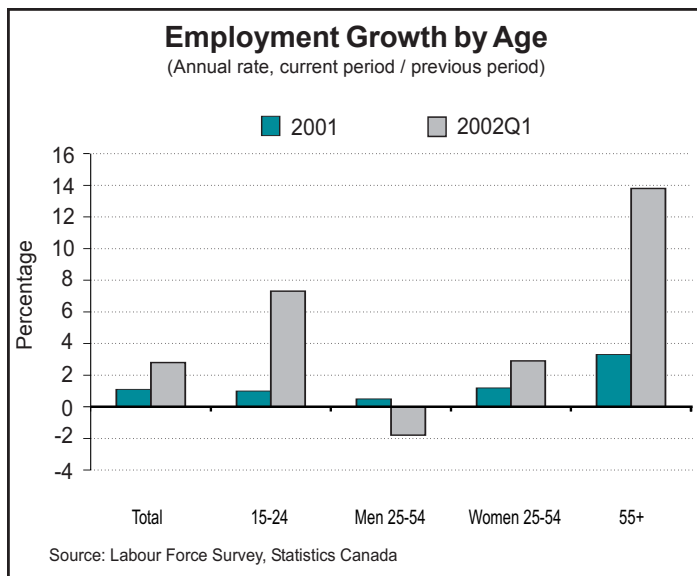


## Young workers quickly benefitted from the strong labour market performance

Youth employment is particularly prone to cyclical swings. After slowing down to 1.0% in 2001 from a pace of 3.7% in 2000, youth employment growth strengthened dramatically with the rebound in economic activity in the first quarter of 2002. Young workers, many of whom are found in lower-skilled occupations and who are the workers with the least seniority and experience, are often the first to be laid off during downturns and the last to benefit during economic recoveries. However, the recent slowdown was mild, and employment continued to grow. As a result, a large supply of unemployed labour did not accumulate, and young workers have been quick

to benefit from the rebound in the first quarter. Strong employment growth for young people in sales and service occupations such as cashiers, waiters and sales clerks was observed in the first quarter. Jobs for youths were also created in construction and in clerical occupations.

Employment gains for core-age workers (aged 25 to 54) averaged about 0.8% in 2001. Due to the sluggish employment growth, their unemployment rate rose steadily from 5.9% in January 2001 to 7% by December. Despite continued weak employment growth in the first quarter of 2002, the rate had fallen back to 6.6% by March 2002. By comparison, as recently as May 2000, the unemployment rate for these workers was 5.5%, its lowest level in nearly 20 years. The experience of men and women in the core-age group diverged somewhat in the first quarter of 2002. Growth in occupations in administration, health services, social science and education, which have a higher proportion of female workers, was relatively strong. On the other hand, employment in occupations that predominantly employ males, such as farmers and forestry workers, trades people, and transportation and equipment operators, fell dramatically during that period.



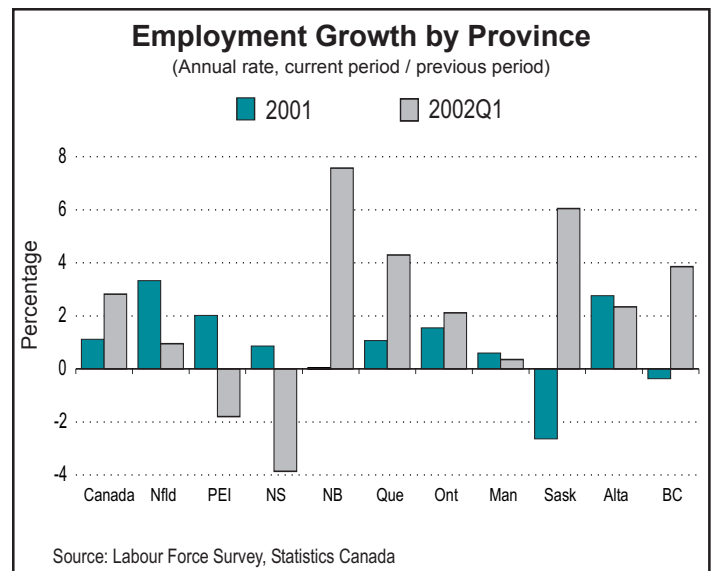
Older workers, unlike young and core-age workers, have been virtually untouched by the economic slump. Employment growth in this group slowed down in 2001 compared to recent years, but remained quite strong at 3.3%. During the first quarter of 2002, employment for older workers exploded, growing 13.8% at annualized rates. This is not so surprising given that much of the employment growth in the quarter was in occupations that require more seniority or that tend to employ older workers - managers, professional occupations in business and finance, and contractors and supervisors in trades and transport. Many older workers also accepted positions as teachers and professors and in sales and service occupations.

## Mirroring the experience at the national level, employment growth slowed down in most provinces in 2001, with an uneven recovery in 2002

Slower employment growth at the national level in 2001 was mirrored at the provincial level. In all provinces except Newfoundland and Alberta, employment growth slowed down compared to 2000. In Alberta and Newfoundland, activities related to oil and gas extraction contributed to employment growth. The weakest employment growth in 2001 was in Saskatchewan, reflecting falling employment in agriculture, and in British Columbia, where the forestry and logging industry has suffered as a result of US protectionism. In Quebec and Ontario, the weaker employment growth reflects sluggishness in the manufacturing sector, brought on by the weakening of the North American economy in 2001.

The dramatic improvement in the Canadian labour market observed during the early months of 2002 was reflected in employment gains in a number of provinces, notably New Brunswick, Quebec, Ontario, Saskatchewan and British Columbia.

In British Columbia the manufacturing sector was a key creator of jobs in the first quarter. The provincial labour market also got a boost from strong employment growth in health care and social assistance, and in the accommodation and food service industries. In New Brunswick, job gains were spread across a variety of service industries, including health care and social assistance, transportation and warehousing, accommodation and food services, and public administration. In Quebec, employment growth reflected strength in the retail and wholesale trade industry, in manufacturing and in finance, insurance, real estate and leasing industries. The health care and social assistance industry accounted for nearly half the new jobs that appeared in Saskatchewan during the first quarter of 2002. The retail and wholesale trade and manufacturing industries also contributed to job creation.



## What impact has the economic slowdown had on occupations in the most affected industries?

The majority of job losses since the beginning of 2001 have been concentrated in four industries - computer and electronic product manufacturers, air transportation, agriculture, and logging and forestry. Moreover, lower-skilled occupations in these industries have had to endure most of the job losses. People employed in these occupations are usually the first to be laid off during economic downturns and their unemployment spells usually last longer, as they are generally less mobile. This could be a problem if recovery in these industries takes longer to materialize, which may be the case for labour markets in agriculture and, potentially, in the logging and forestry sector.

Although total employment in Canada has continued to increase throughout 2001 and into 2002, some industries have suffered from the economic slowdown. This was evident in computer and electronic product manufacturing, air transportation, agriculture and logging and forestry, which have all experienced significant employment losses. An examination of the occupational structure of these industries shows that, apart from agriculture, all have a higher-than-average proportion of low-skilled workers. In the overall economy, about 42% of all occupations are considered low-skilled (requiring a high school diploma or less).

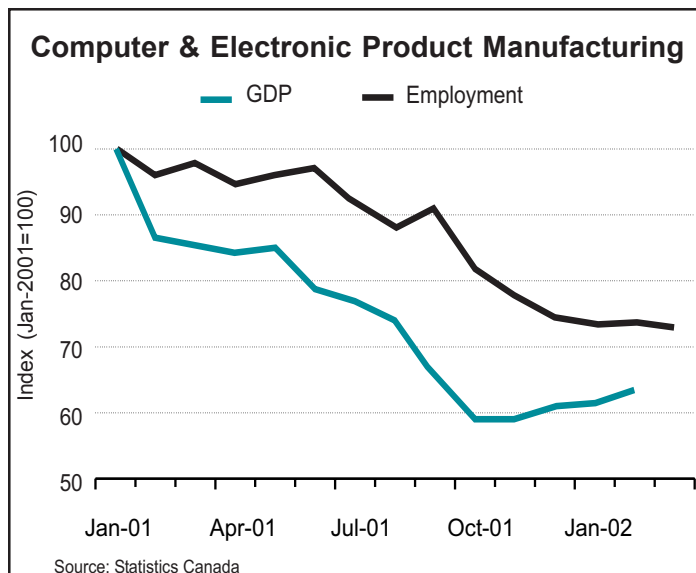
### Skills Distribution of Employment, by Industry (Percent)

	Higher-Skilled	Lower-Skilled
All Industry	58	42
Agriculture	65	35
Logging and Forestry	56	44
Electrical and Electronic Product	51	49
Air Transportation	49	51

Source: Labour Force Survey, Statistics Canada

### High-tech equipment suppliers have been particularly hard hit by reductions in business investment

In computer and electronic products manufacturing, overinvestment in information and communication technology equipment in the late 1990s and rising interest rates in 2000 were largely responsible for the collapse that began during the second half of 2000. Plummeting corporate profits and, more recently, the erosion of business confidence in the wake of the September 11<sup>th</sup> terrorist attacks have weakened spending on machinery and equipment, particularly in the United States.



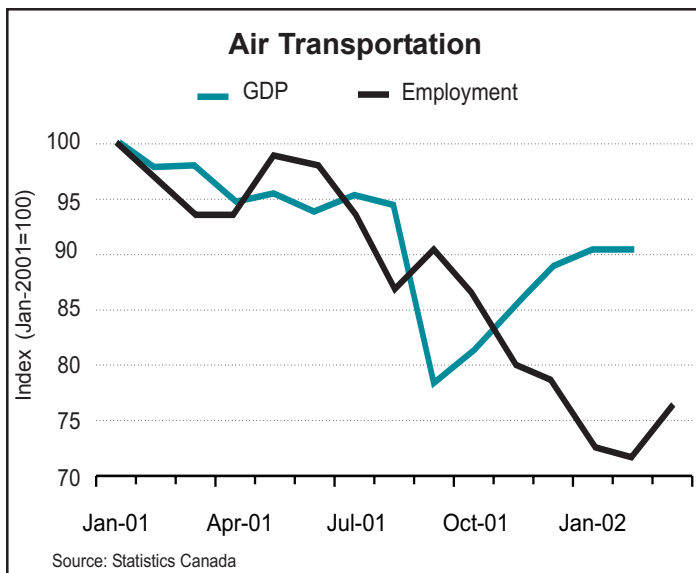
Close to 40,000 jobs have been lost since the first quarter of 2001 (a decrease of 25.2%) making this sector the hardest hit by the economic downturn within manufacturing industries. About half of the workforce in this industry is considered low-skilled. In particular, electronics assemblers, fabricators, inspectors and testers have experienced significant declines on a year-over-year basis, with 25% fewer jobs (a loss of over 12,000 jobs) than in the first quarter of 2001. Some higher-skilled jobs have also disappeared over the past year: positions for electrical and electronics engineering technologists and technicians have declined by roughly 20% (a loss of 8,000 jobs). It is important to note that many of the higher-skilled positions have only been lost in recent months, reflecting the anticipated weakness of capital investment in the telecommunications sector in the coming months.

### The terrorist attacks of September 11<sup>th</sup> complicated matters further in other segments of the labour market

In air transportation, activity has slowed down as a result of the September 11<sup>th</sup> attacks and of the general deterioration in economic conditions in both Canada and the United States. While output in this industry has recovered somewhat, domestic and international air travel is significantly reduced, and airlines are still operating well below capacity.

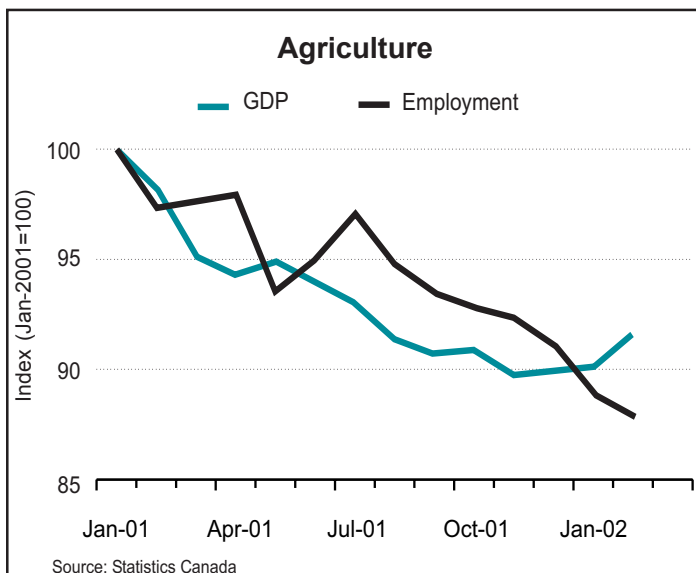
Employment is down 18,000 since the first quarter of 2001, with 13,000 of the losses being recorded since September 11<sup>th</sup>. About half of the workforce in this industry is considered low-skilled, consisting of occupations that are concentrated in travel and accommodation (such as travel counsellors, flight attendants, airline service agents and hotel desk clerks). Overall, these lower-skilled occupations have seen a decline of 20,000 workers (24%) since the first quarter of 2001, especially among travel agents and flight attendants.





### Structural factors are re-shaping the agriculture sector

GDP growth in the agriculture industry has been falling since early 2000. The weakness is concentrated in crop farming and reflects a combination of weak demand and low prices worldwide, and widespread drought conditions in 2001. Employment in agriculture has been in a free fall since 1998, when over 425,000 people were employed in the industry. According to the latest figures, just over 300,000 people remain employed in this sector, which suggests that a major structural change is taking place, largely unrelated to cyclical factors.

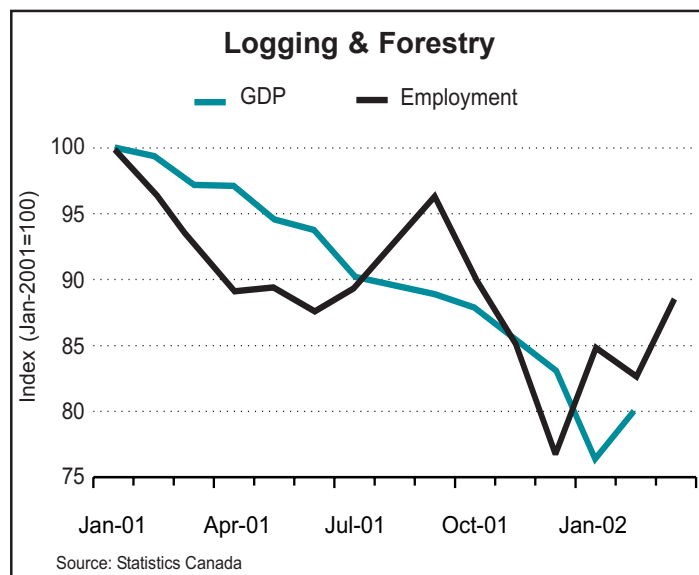


Employment has declined by 9.8% (31,000) since the first quarter of 2001. Over 35% of the workers are in low-skilled occupations - mainly agriculture workers and labourers. However, job losses over the past year have occurred in both higher- and lower-skilled occupations. Contractors, operators

and supervisors in agriculture, which are relatively higher-skilled occupations, have declined by roughly 15,000 (6%) since the first quarter of 2001, while agriculture and horticultural workers have declined by 11,000 (14%) during the same period. These job losses underscore the structural shift occurring in the industry and point to the fact that workers at all levels are exiting the industry.

### US protectionism is having a noticeable impact on the logging and forestry sector

The softwood lumber industry has undergone significant turmoil over the past year. Following the expiration of the Canada-US Softwood Lumber Agreement, which imposed restrictions on the amount of softwood lumber that Canada could export to the United States duty-free, Washington imposed a 19% duty in April 2001, and later a 12% antidumping duty, on Canadian softwood lumber. These added costs have hurt the competitiveness of Canadian lumber exported to the United States, and as a result output in the industry has fallen significantly over the past year. On the other hand, residential construction in Canada is doing exceptionally well. Construction intentions in the residential sector rose by 8.9% to reach \$22 billion in 2001 - an all-time record. While the economy has been slowing down, low mortgage rates, tight vacancy rates in rental markets, and tight supply in the resale housing market have been drivers of building activity.



Employment has declined by 11.6% in the forestry and logging industry over the past year - a fall of roughly 9,000 jobs. Lower-skilled occupations within the industry have seen significant declines. In particular, employment for logging and forestry workers (which include logging machine operators, chainsaw and skidder operators and silviculture and forestry workers) has declined by 30% (6,000) since the first quarter of 2001. Logging and forestry labourers have also been hard hit, with a reduction of close to 50% (2,400 jobs) during the course of the year.

## **The likelihood of a recovery varies across industries, given the different cyclical and structural factors at work**

Lower-skilled workers are particularly vulnerable to employment losses. They represent the group who tends to suffer more from economic downturns and increased competition for employment. They are also much less mobile. It is important to understand why employment in industries employing these workers is falling and what their prospects for a quick recovery are.

Several reasons can explain why an industry is experiencing employment losses. Industries may be facing either temporary (cyclical) adjustments due to a fall in demand or more permanent adjustments (structural) due to factors such as increased external competition, technological change, etc.

Manufacturers of computer and electronic product and air transportation seem to be facing cyclical adjustments. As the economy rebounds, rising corporate profits and business investment are expected to restore a healthy climate in the labour market in those industries, but the short-term increase in demand for computers and electronic products will initially be met by reducing historically high inventories. Any recovery in the air transportation industry will require a shift in the attitude of travelers. As concerns about flight security dissipates and people adjust to the increased inconvenience associated with tightened security standards in airports, travel and tourism expenditures will recover, which in turn will generate renewed demand for aircraft and parts.

The outlook in the logging and forestry and agriculture industry remains uncertain. In these industries, decreases in output and employment are occurring, at least in part, for reasons that are unrelated to the cyclical downturn in economic activity.

Low interest rates will continue to stimulate residential construction and thus the demand for softwood lumber. However, a significant proportion of production in the logging and forestry sector is linked to export markets, and the current trade dispute with the United States poses significant problems for this industry. There is little doubt that a resolution of the dispute between Canada and the United States on softwood lumber is the key to improved labour market conditions, especially in British Columbia, which has experienced the majority of job losses.

The problem in the agriculture industry is harder to pinpoint. The vast majority of job losses in this industry have occurred in the western provinces, especially Saskatchewan. Some of the job losses may be a reflection of a move towards larger farms and increased labour productivity. However, other interesting theories have been put forward. One argument is that small, family-owned farms are losing workers as they leave the industry for more lucrative endeavours. Younger family members veer away from their rural roots in search of higher-paying jobs and better career opportunities outside traditional agricultural occupations. The low unemployment rates in the Prairie provinces suggest that labour market

conditions in this region are good and many job opportunities in a wide range of industries are present. In addition, the globalization of agricultural markets will make it more difficult for farmers across Canada to compete with world prices for their products.

## **Measures to improve the employability of lower-skilled workers may be warranted**

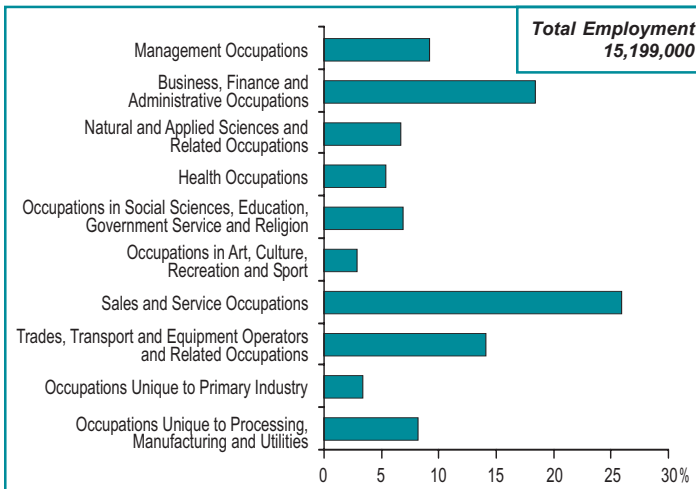
It is not surprising that the majority of jobs lost during the economic downturn have been in lower-skilled occupations. The prospects for many of these displaced workers should improve as economic growth returns to a solid footing. However, lower-skilled workers who lost their jobs in industries facing structural difficulties - agriculture, logging and forestry, in particular - will get little relief from a rebound in economic activity. The slump in these sectors will be longer-lived and workers will need help to re-integrate into the labour market.

In order to increase the employability of these workers, assistance should be aimed at improving their mobility through skill upgrading, employment counselling or training assistance. This will facilitate the transition of these displaced workers into new and rewarding careers while helping them adapt to a continuously changing labour market.

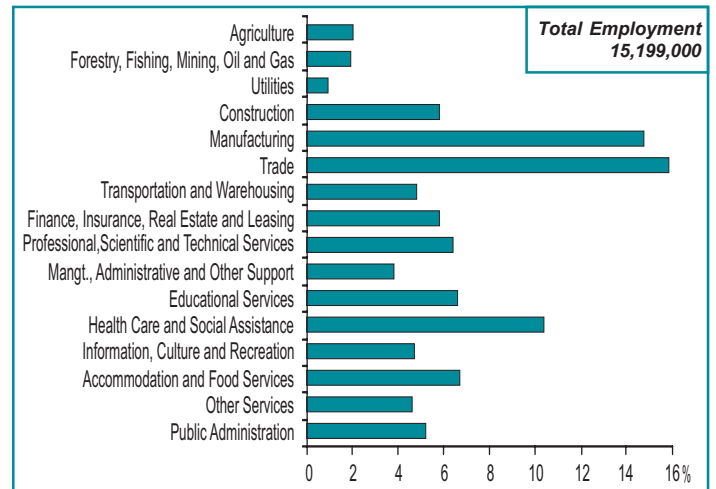
# CANADIAN LABOUR MARKET SPOTLIGHT

## Composition of Employment

### Occupational Share – 2002 First Quarter

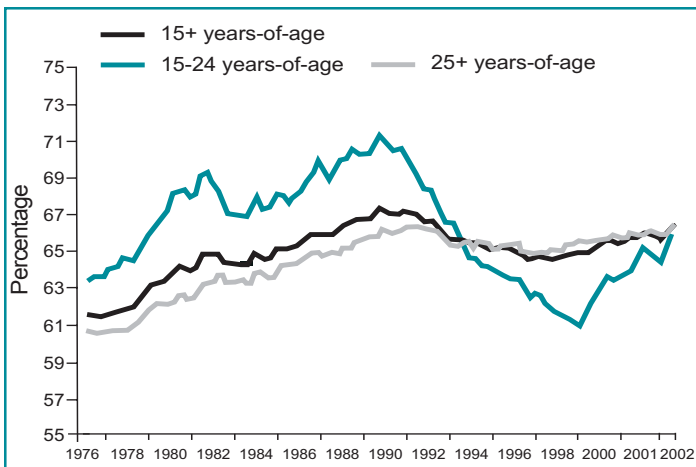


### Industry Share – 2002 First Quarter

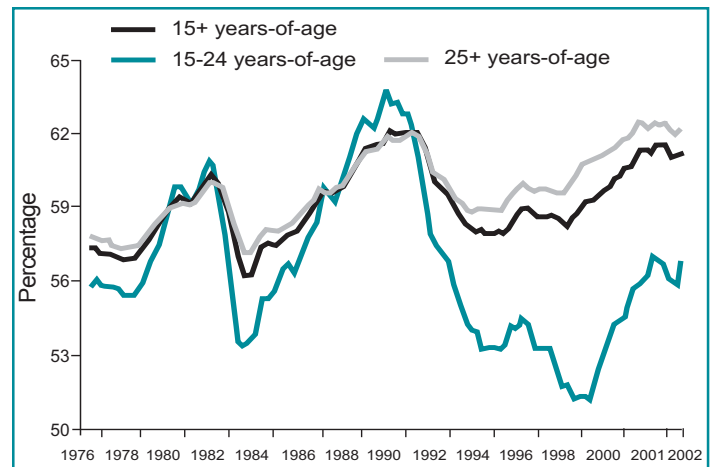


## Participation Rate and Employment Rate

### Participation Rate

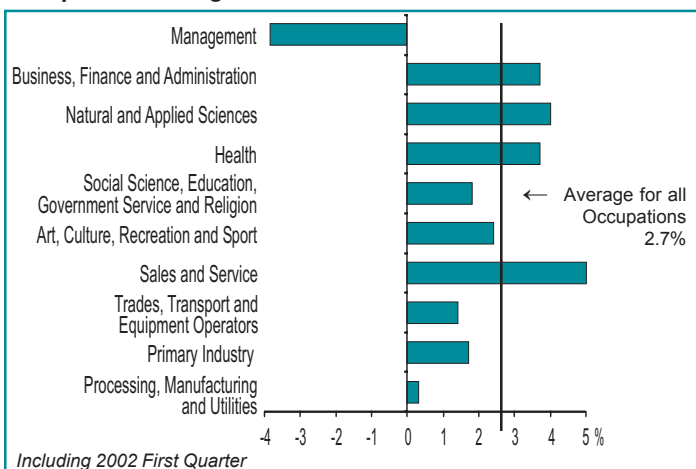


### Employment Rate

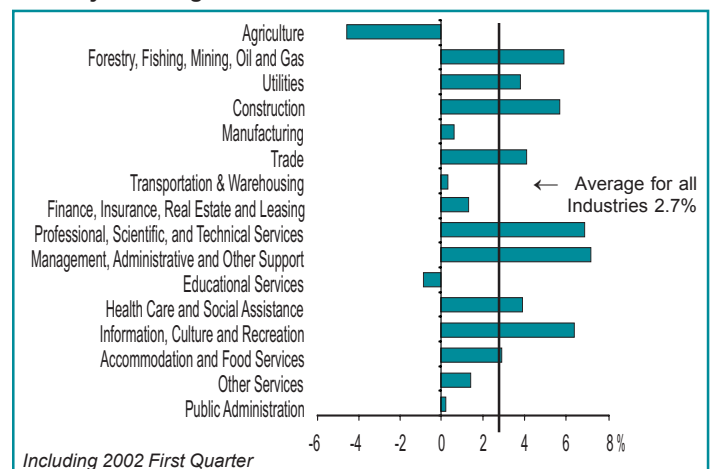


## Hourly Wage Growth

### Occupation – Average Annual Growth Rate Over the Last Two Years



### Industry – Average Annual Growth Rate Over the Last Two Years

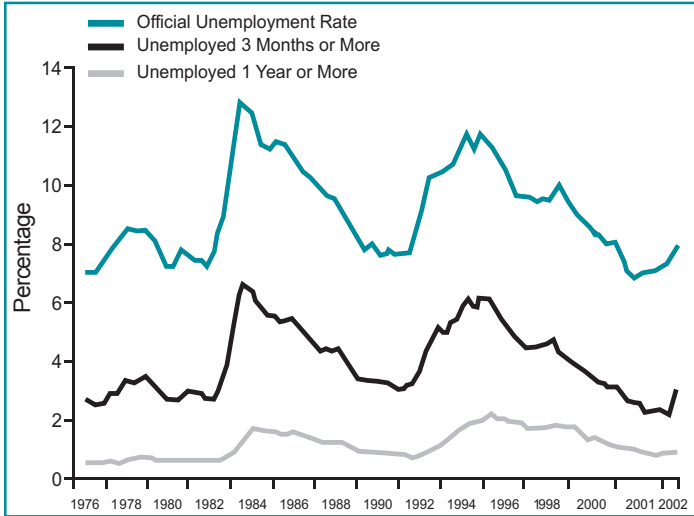


Source: Statistics Canada, Labour Force Survey unless specified otherwise. Data for 2002 includes the first quarter (Jan. – March).

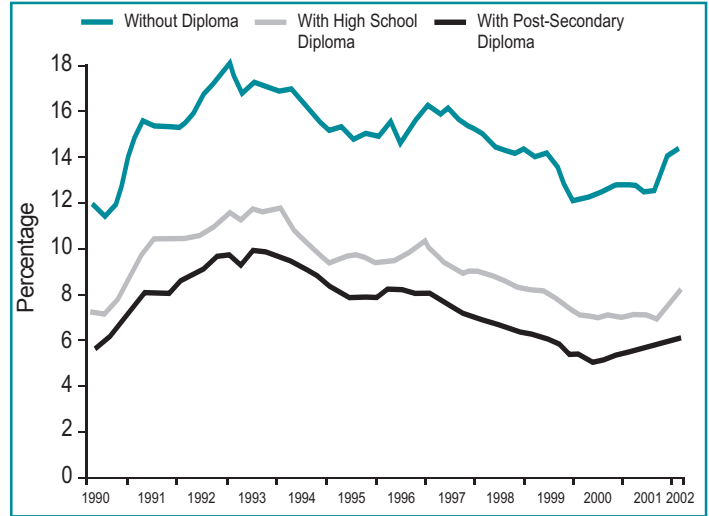
# CANADIAN LABOUR MARKET SPOTLIGHT

## Unemployment Rate Measures

### Alternative Measures of Unemployment

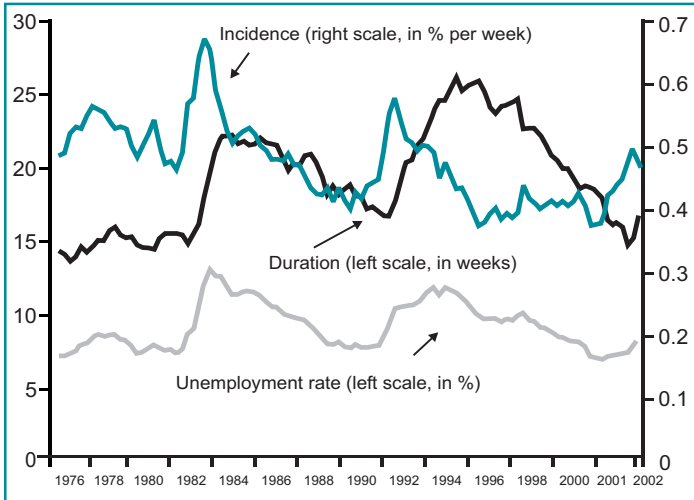


### Unemployment Rate by Level of Education

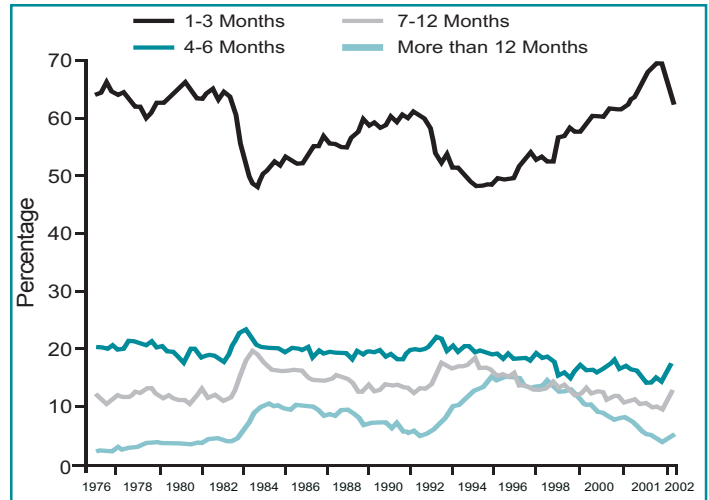


## Duration, Incidence and Reasons for Being Unemployed

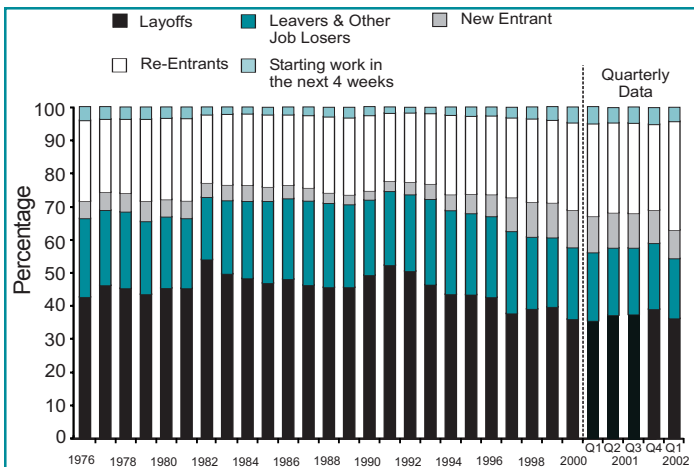
### Unemployment Rate, Duration and Incidence



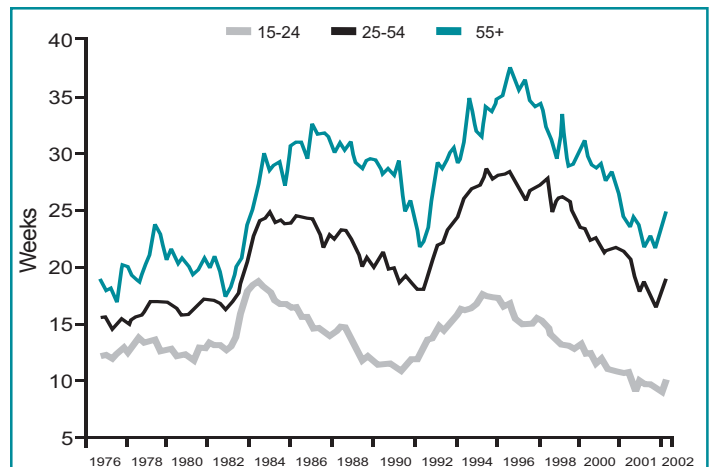
### Distribution of Unemployment Duration



### Reasons for Being Unemployed



### Duration of Unemployment by Age



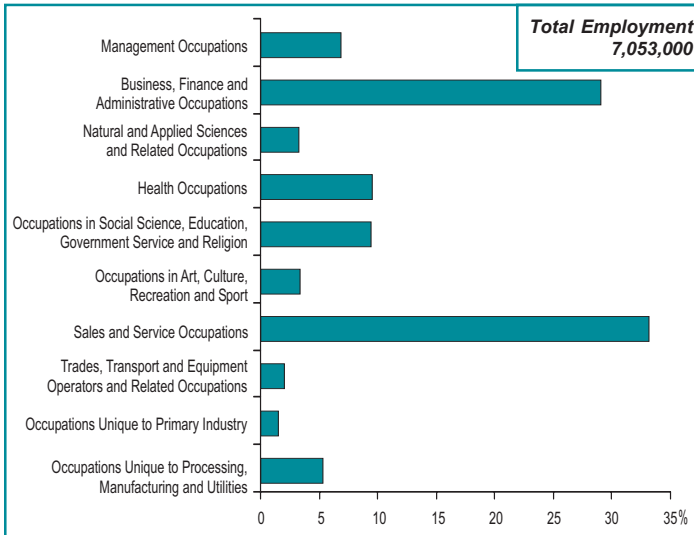
Source: Statistics Canada, Labour Force Survey unless specified otherwise. Data for 2002 includes the first quarter (Jan. – March).



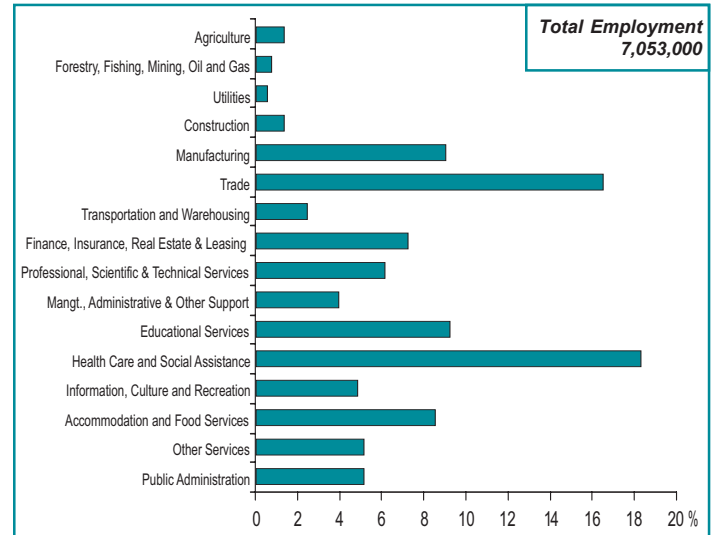
# CANADIAN LABOUR MARKET SPOTLIGHT

## Women in the Labour Market

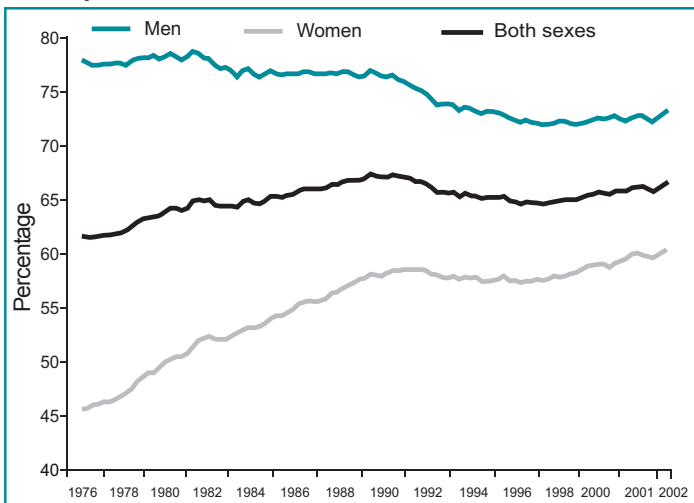
### Occupation Share – 2002 First Quarter



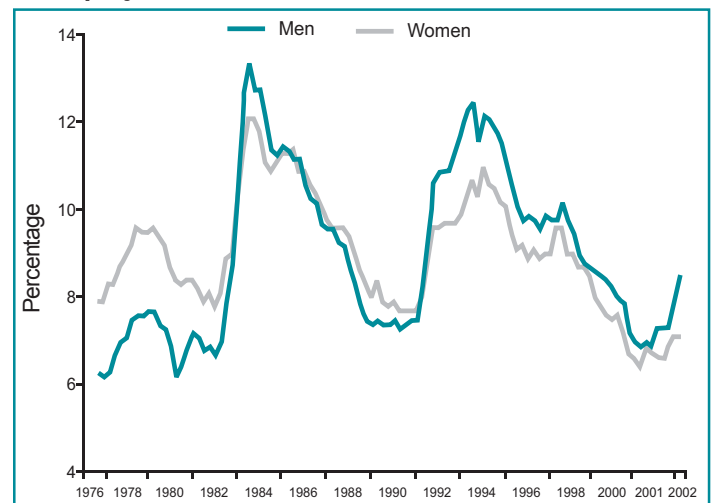
### Industry Share – 2002 First Quarter



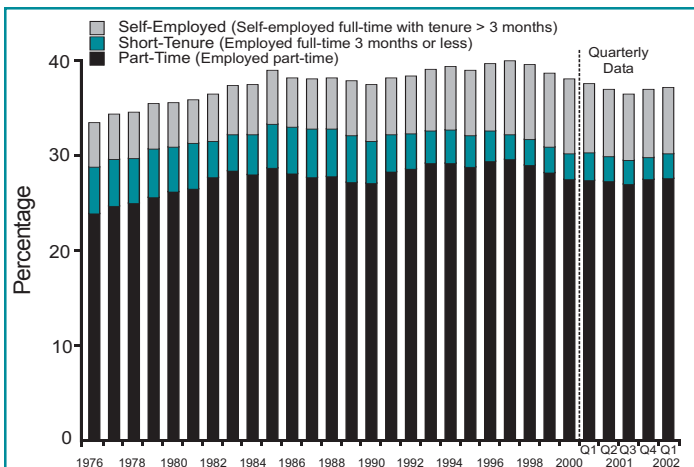
### Participation Rate



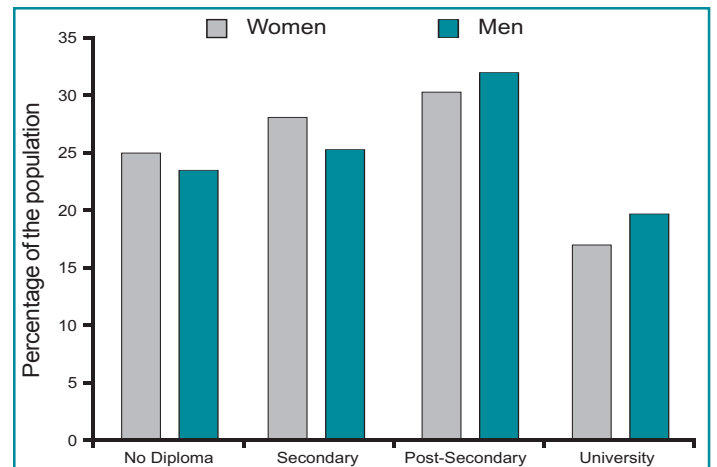
### Unemployment Rate



### Non-Standard Employment – Women



### Educational Attainment (25+) by Gender – 2002 First Quarter

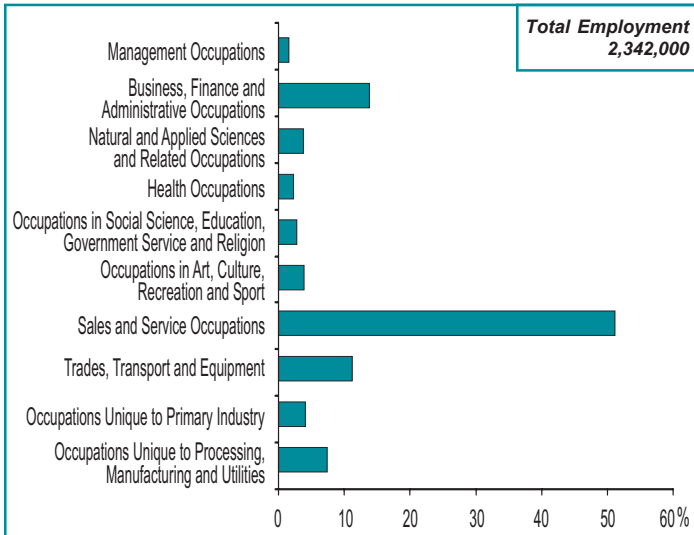


Source: Statistics Canada, Labour Force Survey unless specified otherwise. Data for 2002 includes the first quarter (Jan. – March).

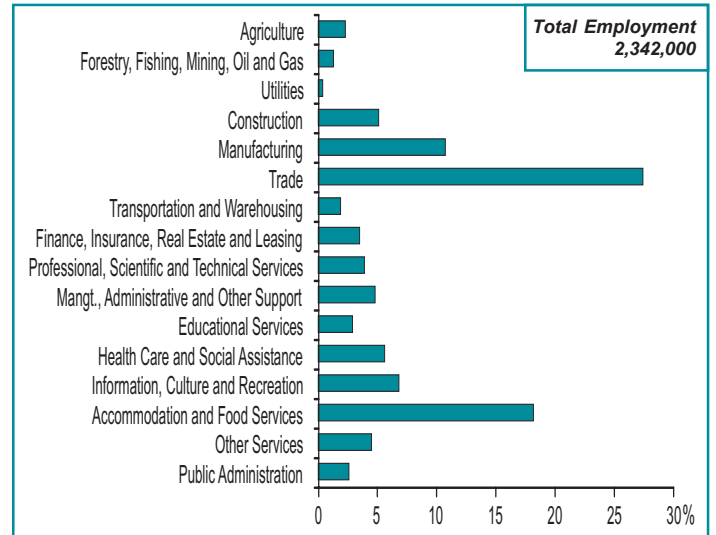
# CANADIAN LABOUR MARKET SPOTLIGHT

## Youth in the Labour Market

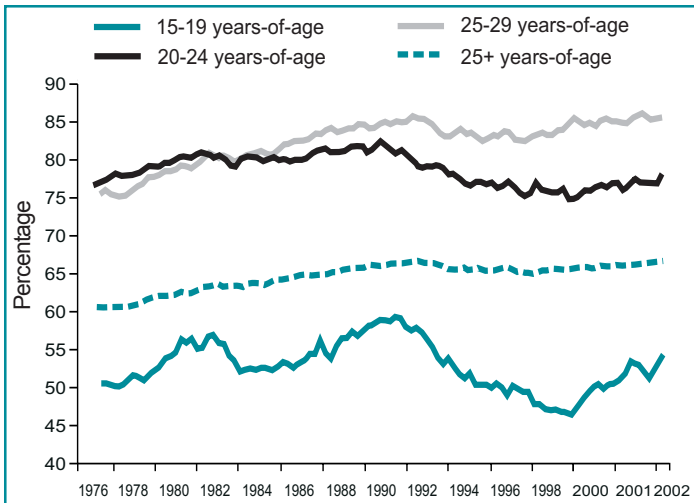
Occupation Share – 2002 First Quarter



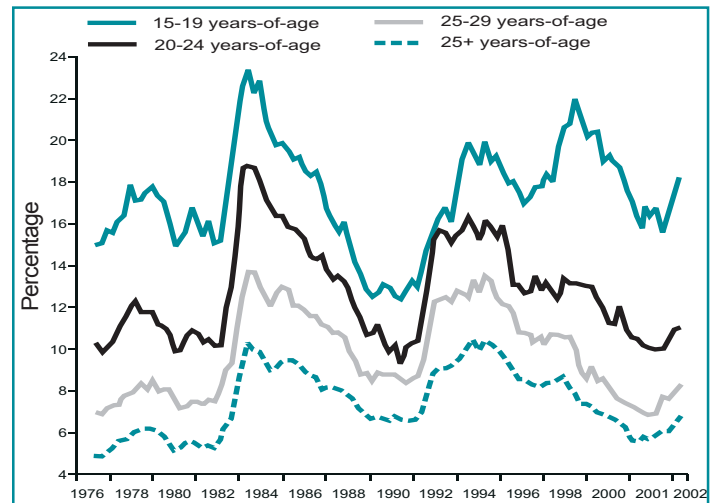
Industry Share – 2002 First Quarter



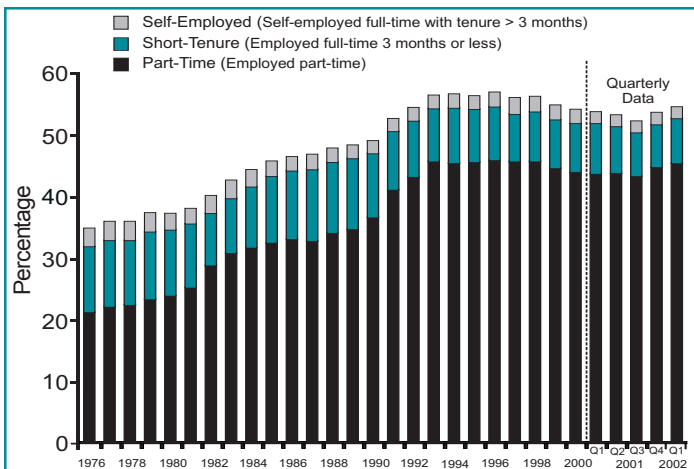
Participation Rate



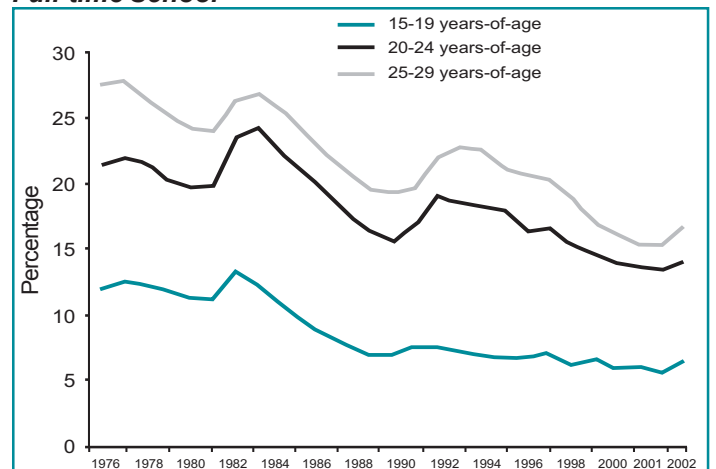
Unemployment Rate



Non-Standard Employment, 15-24



Percentage of Youth not Working nor Attending Full-time School

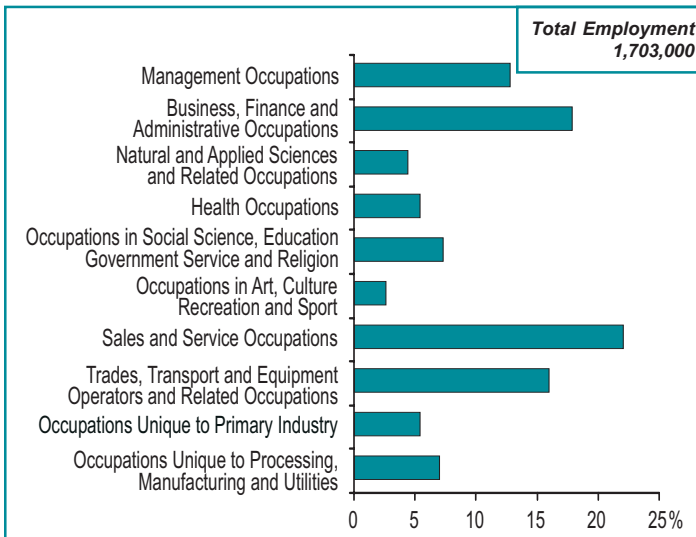


Source: Statistics Canada, Labour Force Survey unless specified otherwise. Data for 2002 includes the first quarter (Jan. – March).

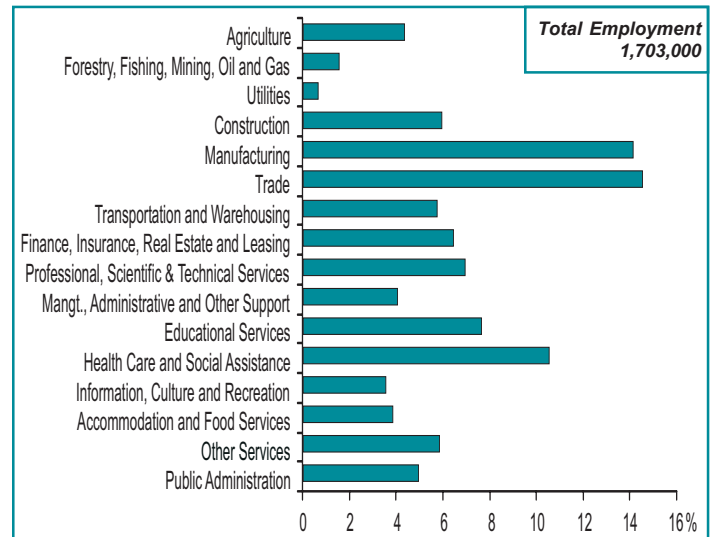
# CANADIAN LABOUR MARKET SPOTLIGHT

## Older Workers in the Labour Market (55 years of age and older)

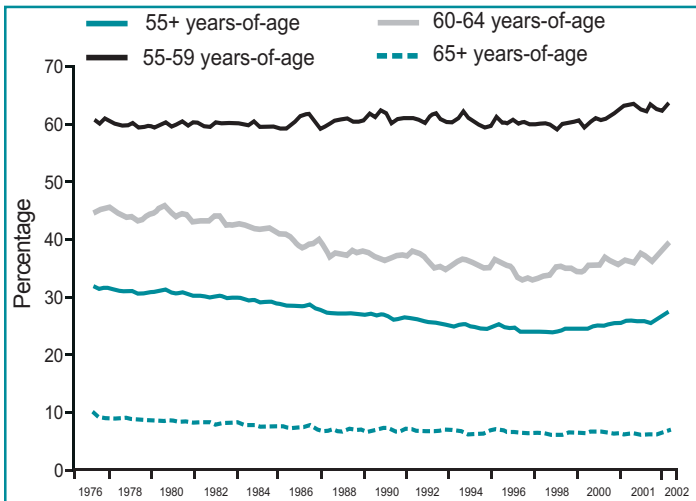
### Occupation Share – 2002 First Quarter



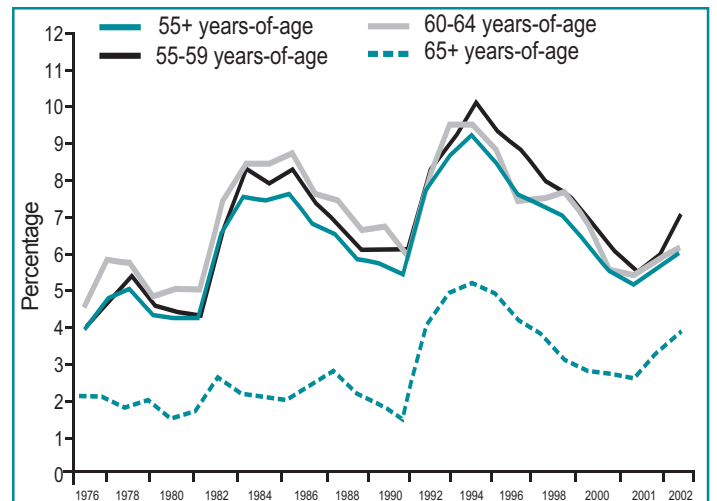
### Industry Share – 2002 First Quarter



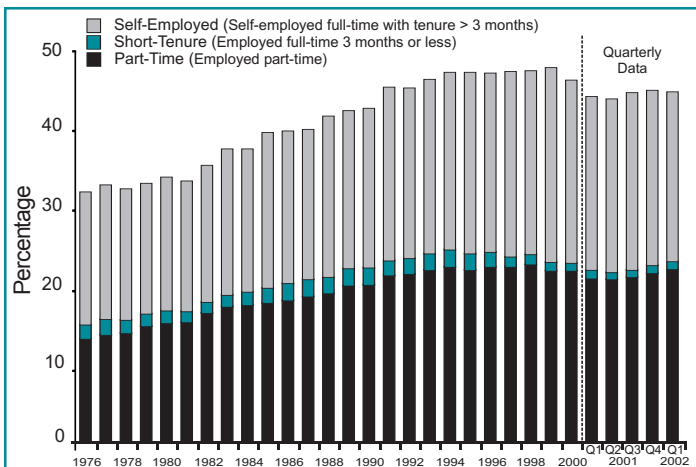
### Participation Rate



### Unemployment Rate



### Non-Standard Employment



Source: Statistics Canada, Labour Force Survey unless specified otherwise. Data for 2002 includes the first quarter (Jan. – March).

### Investing in our youth for a skilled workforce

By Satya Brink and Urvashi Dhawan-Biswal

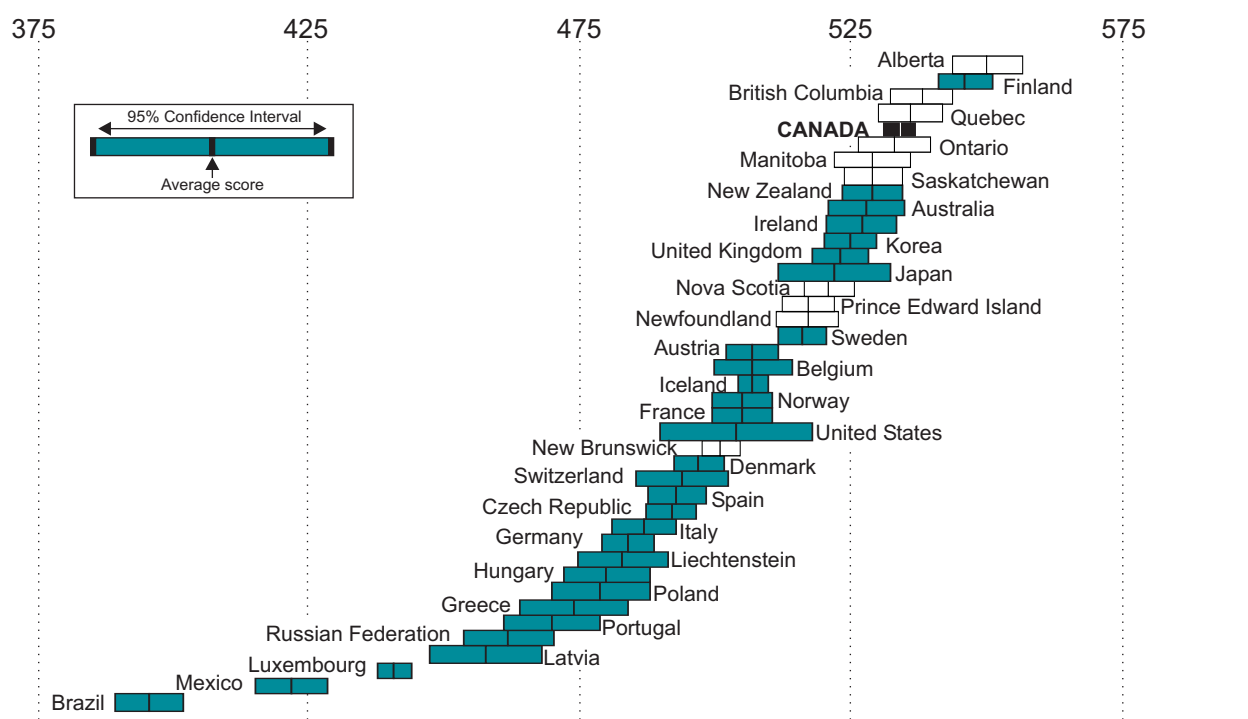
The skills and knowledge that Canadians bring to their jobs, and to our society, are important determinants of our economic success and overall quality of life. The demand for skills and knowledge will continue to grow in the future to meet the needs of the knowledge economy. Primary and secondary education systems play a key role in generating the new supply of skills required to meet this demand. At the same time, the shrinking younger population is changing labour markets in fundamental ways. We need an appropriate data strategy to gather evidence in support of future skills policy. To this end, Canada has participated in two major surveys to collect information on the performance of young people in school and on the pathways they choose after high school. The first survey – the Programme for International Student Assessment (PISA) –

was initiated by the OECD to provide policy-oriented international indicators on the skills and knowledge of 15-year-old students in 32 countries. As part of PISA 2000, approximately 30,000 students from more than 1,000 Canadian schools were surveyed. The second – the Youth in Transition Survey (YITS) – is a longitudinal survey designed to examine the education and labour market pathways between the ages of 15 and 30. Two different cohorts are studied in YITS, a 15-year-old cohort that also participated in PISA 2000, and an 18- to 20-year-old cohort. In this letter, we present a profile of youth in school and at work in Canada based on the first findings from these surveys.<sup>1</sup>

### Canadian students performed well in the global context

PISA 2000 focussed on reading literacy as the primary domain, with mathematical and scientific literacy as secondary domains. Canadian students performed well compared with students in 31 other countries, ranking second in reading,

Average Scores and Confidence Intervals by Province and Country: READING



Note: The confidence interval represents the range within which the score for the population is likely to fall 95% of the time or 19 times out of 20. Difference in average scores between two jurisdictions are not statistically significant when the confidence interval for each average score overlaps. For example, countries performing about the same as Canada have a confidence interval for the average score that overlaps with Canada's confidence interval.

Source: PISA 2000

<sup>1</sup> This note is a summary of key findings from the following two reports released on PISA and YITS respectively:

- (i) "Measuring up: The performance of Canada's youth in reading, mathematics and science", a joint publication of Human Resources Development Canada, the Council of Ministers of Education (Canada), and Statistics Canada, 2001. An electronic version of the document is available on the Internet at: [www.pisa.gc.ca](http://www.pisa.gc.ca) or [www.hrdc-drhc.gc.ca/arb](http://www.hrdc-drhc.gc.ca/arb).
- (ii) "At a Crossroads: First Results for the 18 to 20-Year-old Cohort of the Youth in Transition Survey", jointly published by Human Resources Development Canada and Statistics Canada, 2002. An electronic version of the document is available on the Internet at: [www.statcan.ca](http://www.statcan.ca) or [www.hrdc-drhc.gc.ca/arb](http://www.hrdc-drhc.gc.ca/arb).

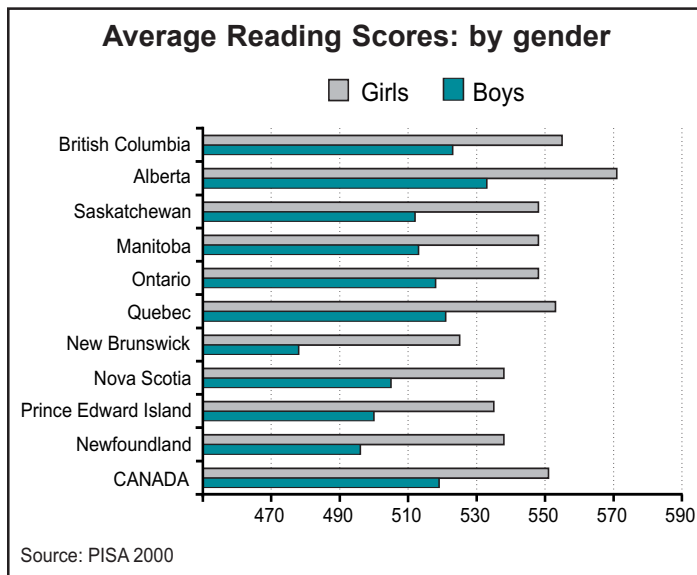


fifth in science and sixth in mathematics. In a majority of provinces, students' performance in reading, science and mathematics placed these provinces among the top-ranked countries.

The reading performance of students in Alberta was significantly above the Canadian average, while that of students in the four Atlantic provinces was significantly below the Canadian average.

**Girls outperformed boys in reading**

In the PISA survey, girls performed significantly better than boys on the reading test in all countries and in all Canadian provinces.



The lower average result for boys is a source of concern, since poor reading performance can have a profound effect on future learning abilities.

**Language of the school system matters**

According to PISA data, students enrolled in minority language school systems outside Quebec (in Nova Scotia, New Brunswick, Ontario and Manitoba) had significantly lower results in reading. In Quebec, students enrolled in the anglophone school system performed as well in the reading test as those enrolled in the francophone school system.

**Average Reading Scores by Language of the School System in Five Provinces**

	Anglophone		Francophone	
	Average Scores	Confidence Interval (+/-)*	Average Scores	Confidence Interval (+/-)*
Nova Scotia	<b>522</b>	4.7	<b>474</b>	10.4
New Brunswick	<b>512</b>	4.6	<b>478</b>	5.1
Quebec	543	9.1	535	6.6
Ontario	<b>535</b>	6.7	<b>474</b>	14.7
Manitoba	<b>530</b>	7.1	<b>486</b>	10.9

Note: Scores are bolded when the difference in average score is statistically significant within a province.

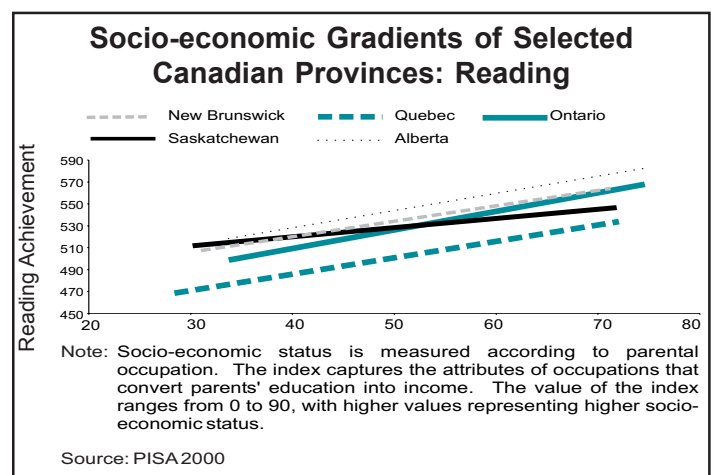
Source: PISA 2000

\* The confidence interval represents the range within which the score for the population is likely to fall 95% of the time, or 19 times out of 20.

Further analysis of the data collected through PISA and YITS will clarify the extent to which important background variables, such as the main language spoken at home, contribute to these differences.

**Individual and family background factors play an important role**

Students' enjoyment of reading and their career expectations are two characteristics displaying a consistent positive relationship with reading proficiency across countries and Canadian provinces. Among family characteristics, the socio-economic background of the family and the number of books in the home are among the factors influencing reading achievement. Along with Japan and Finland, Canada exhibits far less variation than most other countries in scores between students of different socio-economic status.



In Canada, the socio-economic gradient is flatter in Saskatchewan than in other provinces, suggesting that achievement scores are more equivalent among students of different socio-economic background than among students of other provinces. However, performance of students with a mid-to-high socio-economic background in this province is below that of several other provinces.

**School climate has positive impact on students performance**

Schools play an important role in students’ acquisition of knowledge and skills. Results from the PISA survey show that students attending schools where the majority of the student population come from lower socio-economic backgrounds do not perform as well as those of schools where students generally come from higher socio-economic backgrounds. Students attending schools with fewer disciplinary problems or fewer disruptions in the classroom tend to have higher scores.

**Working while studying has impact on reading achievement**

A preliminary analysis of the YITS data for Canada was undertaken to better understand how working while studying mediates achievement. In all provinces, 15-year-old students that did not hold a job during the school year had a significantly higher average reading performance than working students.

	With a job during the school year		Without a job during the school year	
	Average Reading scores	Standard error	Average Reading scores	Standard error
Newfoundland	<b>498</b>	4.6	<b>530</b>	3.5
Prince Edward Island	<b>506</b>	5.4	<b>525</b>	3.1
Nova Scotia	<b>505</b>	4.7	<b>530</b>	2.9
New Brunswick	<b>485</b>	3.9	<b>515</b>	1.8
Quebec	<b>525</b>	4.4	<b>547</b>	2.9
Ontario	<b>521</b>	4.9	<b>544</b>	3.3
Manitoba	<b>511</b>	6.3	<b>541</b>	3.4
Saskatchewan	<b>511</b>	5	<b>538</b>	3.1
Alberta	<b>537</b>	5.3	<b>560</b>	3.3
British Columbia	<b>517</b>	4.5	<b>552</b>	3.2

Note: Scores are bolded when the difference in average score is statistically significant within a province.

Source: PISA 2000

However, many provinces do not show significant differences in favour of non-working students for achievement in mathematics and science. Nonetheless, for all three domains, performance tends to decline as the number of hours worked per week increases. The longer-term impact on education and labour market outcomes of combining work and study at

age 15 will be clarified in future research that takes advantage of the longitudinal nature of YITS.

**Youth, 18-20 years old, are at an important crossroads in life**

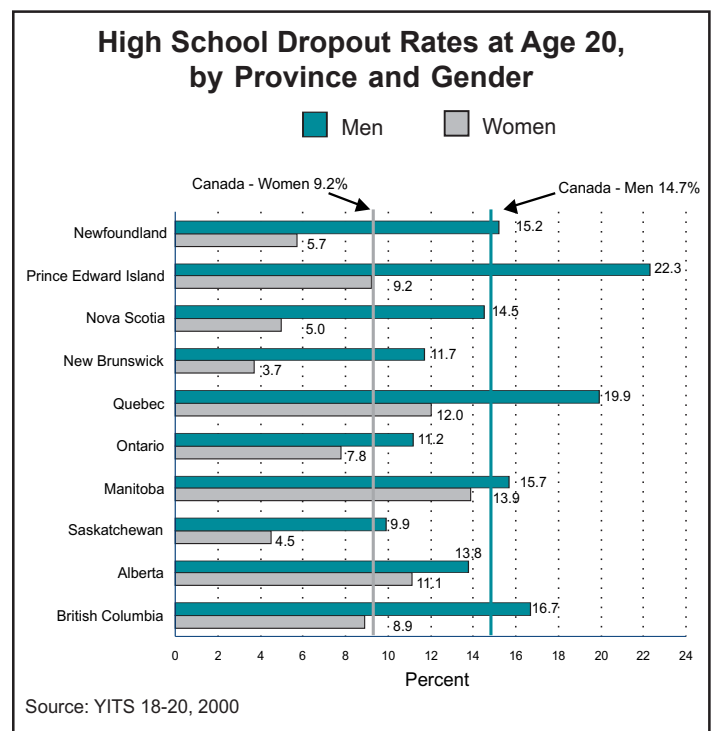
At 18 to 20 years of age, young people are at an important crossroads in life. The study of youth aged 18-20 shows the distribution of educational and work choices made by respondents. Many choose to complete high school and pursue post-secondary studies. Others are completing their secondary schooling, while some may have dropped out of the school system. Still others decide to join the labour market full time, or to combine work and school.

**Most youth graduate from high school by age 20**

Most Canadian youths graduate from high school by the expected age of 20. That was the case for about 85% of young people who had graduated from high school as of December 1999. However, young women (88.1%) are more likely than young men (81.4%) to graduate by the age of 20.

**However, more young men are at risk of dropping out**

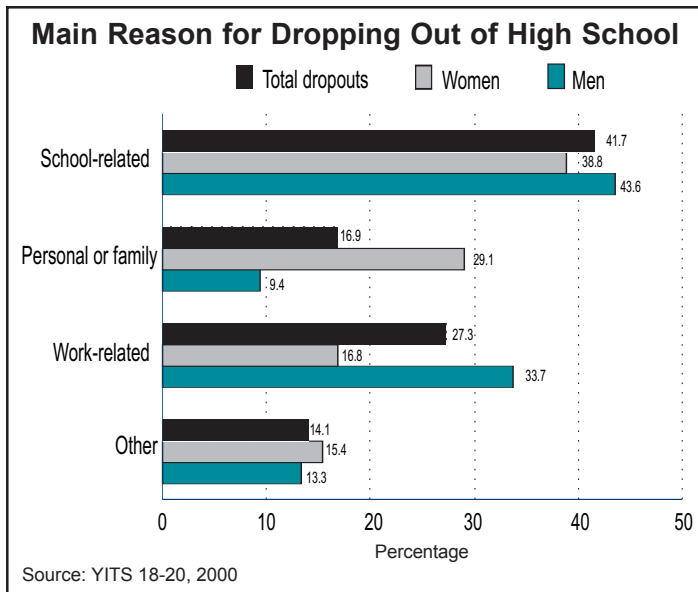
Although a small proportion of students (3.3%) were still in high school by age 20, 12% had dropped out without graduation. More young men (14.7%) than young women (9.2%) drop out.



Provincial high-school dropout rates for 20-year-olds reveal a varied picture. Compared to other provinces, dropout rates are relatively low in Saskatchewan, New Brunswick and Ontario, and relatively high in Prince Edward Island, Quebec and Manitoba.

**Main reason for dropping out is school-related**

Both male and female most often cited school-related reasons for dropping out. However, over 45% of dropouts had a B average or higher. Male dropouts were more likely to specify



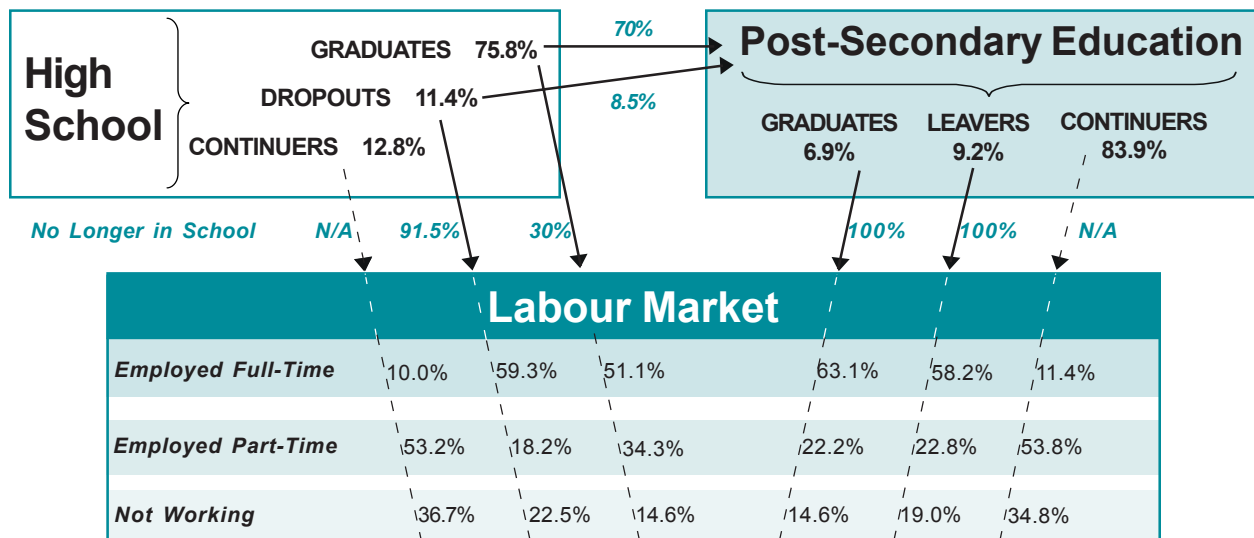
work-related reasons for leaving, while females were more likely to cite personal or family-related reasons. About 46% of dropouts expressed regret about having left high school. The feeling of regret expressed by many dropouts suggests that they come to recognize the value of a high school education after dropping out.

**High school graduates and dropouts differ in some key personal and social characteristics**

Five main characteristics differentiate between high school dropouts and graduates:

- Although the majority of both high school graduates and dropouts lived in a two-parent family during high school, a greater percentage of dropouts than graduates lived with a single parent.
- High school graduates were twice as likely as dropouts to have at least one parent who completed some type of post-secondary education.
- While high school dropouts obtained lower grades, not all dropouts performed poorly in school. Almost half achieved a grade average of B or better.
- High school dropouts were more than five times as likely to have repeated an elementary school grade.
- Compared to graduates, dropouts were less engaged in school, both academically and socially.

**Summary of Pathways of 18-20-Year-olds, December 1999**



## **Pathways followed by youth after high school – post-secondary education and labour market participation**

Young people are expected to complete not only high school but, increasingly, post-secondary studies or other specialized training in order to acquire sufficient skills and knowledge to participate effectively in the labour market. The summary of pathways describes the education and labour market choices of graduates, dropouts and continuers (still in high school) as of December 1999.

The post-secondary participation rate was slightly more than 60% of 18-20-year-olds who were no longer in high school (graduates and dropouts). This rate is much higher for women (57.4%) than for men (46.9%). A small proportion of 18-20-year-olds had already completed a program of study at the post-secondary level, with a higher percentage for women than for men. And 9.2% of youth who were enrolled at the post-secondary level had left before completing the program.

Labour market participation of youth varies by education status. High school dropouts were more likely to be without a job in December 1999, relative to the other youth not in school. The rate of full-time employment is highest for young people who completed a post-secondary program. High school graduates (with no post-secondary education) were more likely to be employed, yet their rate of part-time employment is higher compared to other youth not in school.

## **Financial barriers a significant factor in accessing post-secondary education**

It is important to understand the factors that prevent youth from completing more education. Slightly less than half of 18-20-year-olds reported facing barriers to going as far in school as they would like. Two-thirds of those reporting barriers cited financial difficulties. The most common source of funding for post-secondary studies was earnings from employment since leaving high school. Money from parents or partners, government sponsored loans and personal savings are some of the other sources of funding that youth with post-secondary experience rely on.

## **Conclusion**

Today's knowledge-based society presents young people with both opportunities and challenges as they make transition to the labour market and full adulthood. The challenge for them is to ensure that the education and labour market choices they make now will allow them to participate fully in the economy and society of the 21<sup>st</sup> century.



### The 1990s have been difficult for recent immigrants in the Canadian labour market

By Eden Thompson

*Immigrants who landed in Canada in the early 1990s had poor labour market outcomes, whether compared to previous cohorts of immigrants or to Canadian-born individuals. These poor labour market outcomes are occurring at a time of changing demographics in Canada (slower population growth and population aging) in which immigration is becoming increasingly important from a labour supply perspective. In fact, over the long-term, net labour force growth is likely to depend solely on immigration. Based on the latest evidence, the economic outcomes of recent immigrants are improving, although more detailed analysis is needed before a trend can be established.*

#### **The 1990s have witnessed sustained and significant increases in Canadian immigration levels**

Immigrants make up a growing share of Canada's population. According to the 1996 Census, foreign-born persons represented 17.4 percent of the total Canadian population – the highest proportion of immigrants in Canada during the past sixty years. Since 1991, the immigrant population has increased 14.5 percent – more than three times the 4 percent growth rate of the Canadian-born population. These results are the product of recent changes in immigration flows and a period of sustained, significant increases in landing levels.

#### **The majority of immigrants to Canada locate in the large cities of Ontario and British Columbia**

Immigrants represent a larger share of the population in Ontario and British Columbia than in other provinces. The Longitudinal Immigration Database (IMDB) shows that, in 1998, 55 percent and 23 percent of immigrant tax filers landed between 1995 and 1997 lived in Ontario and British Columbia, respectively. Moreover, research indicates that Ontario and British Columbia are the only provinces to experience a substantial net inflow of immigrants through secondary migration. The ratio of immigrants moving to Ontario to those who leave is approximately 2 -to- 1, while it is approximately 3 -to- 1 in British Columbia (Citizenship and Immigration Canada, 2000).

Immigrants to Canada tend to concentrate in large urban areas. In 1996, 85 percent of all immigrants in Canada lived in one of Canada's Census Metropolitan Areas (CMAs) – one of the 25 urban regions with more than 100,000 residents. In contrast, 57 percent of Canadian-born persons lived in CMAs that year. Immigrants reside primarily in Toronto, followed by Vancouver and Montreal.

#### **Immigrants come to Canada within distinct landing categories**

Immigrants to Canada fall in one of three categories of admission loosely defined as economic, family, or refugee. There has been a shift toward the selection of economic immigrants as a percentage of total immigrant landings. Since the early 1990s, immigration has been viewed as a means to influence the nature of the Canadian workforce – to make it more flexible and skilled – rather than as a demographic tool. Policy changes reflecting this perspective have contributed to the shift from the refugee and family categories to the economic category.

Immigrants in the economic stream undergo a thorough selection process before admission into Canada. Economic immigrants actively seek to settle in Canada and their selection is based on a points system designed to maximize the probability of successful labour market outcomes.

The family reunification stream includes individuals who are joining family members already established in Canada; they are not assessed against labour market criteria. These persons are sponsored by a relative in Canada who is a Canadian citizen or permanent resident of Canada, and are less likely than those admitted under the economic category to move here directly for labour market reasons.

The refugee category includes Convention refugees and other refugee-like individuals who are deemed to need protection or relief. These persons are fleeing political or economic unrest in their country of origin. As a result, they may not have had the opportunity to prepare for life in Canada and often take longer to adjust to their new environment and the Canadian labour market.

#### **Recent immigrants are better educated than previous cohorts**

Recent immigrants to Canada are better educated than those who landed previously. Between 1980 and 2000, there has been an increase in the level of post-secondary education of landed immigrants aged 15 and over. In the period 1995-2000, 34.5 percent of landed immigrants had a university education at the time of landing, up from 13 percent in the period 1980-84. By comparison, about 20 percent of all Canadians have a university degree.

#### **Immigration makes an important contribution to labour force and population growth**

Immigration is an important contributor to Canada's labour force growth. Over 1991-96, net migration provided 71 percent of Canada's labour force growth (Denton, Feaver and Spencer,

1999). Based on current trends and assuming that the fertility rate remains at its current level, net immigration could account for Canada's entire population growth by 2030.

### **Recent immigrants experience lower labour force participation than Canadian-born individuals**

A comparison of the employment experience of immigrants and Canadian-born persons sheds some light on how well the former are adjusting to the Canadian labour market. New immigrants are generally expected to experience lower labour force participation and employment rates and higher unemployment rates than Canadian-born individuals and immigrants who have been in Canada for a longer period because they need some time to integrate. By comparing the initial employment experience of recent immigrants to that of previous cohorts, a trend in integration patterns over time emerges. To date, Canadian Census data provide the most detailed information about the employment status of immigrants.

For men and women of prime working age – that is, between age 25 and 44 – recent immigrants, defined as those who have been in Canada for five years or less, exhibit lower labour force participation rates than Canadian-born persons. In 1996, there was a 17 percentage-point difference in the labour force participation rates of Canadian-born and recent immigrant women, and a 9 percentage-point difference between Canadian-born and recent immigrant men. In 1986, the initial labour force participation of recent immigrants was quite different, with a 4 percentage-point gap separating both Canadian-born and recent immigrant women and men.

### **In 1996, recent immigrants were less likely to be employed despite their education level**

Despite high levels of education, recent immigrants are less likely to be employed than Canadian-born individuals. By comparison to 1986, the employment situation of recent immigrants has deteriorated both in absolute terms and relative to that of Canadian-born persons. For example, the employment rate of recent immigrant men aged 25-44 was

**Labour force participation rate (%) by education level, persons aged 25-44, 1986 and 1996**

Highest level of schooling completed	Men		Women	
	Canadian-born	Recent immigrants	Canadian-born	Recent immigrants
<b>1986 Census</b>				
Less than high school	91	88	58	63
High school	96	93	71	70
Some post-secondary	96	86	76	68
Non-university	97	95	81	70
University	98	92	87	76
Total	95	91	73	69
<b>1996 Census</b>				
Less than high school	85	77	61	50
High school	94	82	77	58
Some post-secondary	91	79	78	60
Non-university	95	84	86	70
University	96	85	90	70
Total	92	83	80	63

Source: 1986 and 1996 Censuses, Statistics Canada

80 percent in 1986 – a 7 percentage-point deficit to Canadian-born men; by 1996, it had declined to 71 percent, a 13 percentage-point deficit. Recent immigrant women were in an even more disadvantaged position, with a low employment rate of 58 percent in 1986 that had fallen to 51 percent by 1996, corresponding to a widening deficit with Canadian-born women from 7 to 22 percentage points.

Although there are gaps in employment rates between Canadian-born individuals and recent immigrants at all education levels, these widened between 1986 and 1996, with

larger differences at higher levels of education. At the university level, 93 percent of Canadian-born men were employed in 1996, compared to 74 percent of recent male immigrants; in 1986, these numbers were closer – 94 percent and 81 percent, respectively. While the employment rate of Canadian-born women with a university education rose from 81 percent in 1986 to 87 percent in 1996, it fell for similarly educated recent immigrant women, from 66 percent to 57 percent over the period.

### Employment rate (%) by education level, persons aged 25-44, 1986 and 1996

Highest level of schooling completed	Men		Women	
	Canadian-born	Recent immigrants	Canadian-born	Recent immigrants
<b>1986 Census</b>				
Less than high school	79	79	49	51
High school	89	83	64	58
Some post-secondary	88	75	68	59
Non-university	90	83	74	61
University	94	81	81	66
Total	87	80	65	58
<b>1996 Census</b>				
Less than high school	71	65	52	38
High school	86	69	71	46
Some post-secondary	83	67	71	48
Non-university	88	74	79	56
University	93	74	87	57
Total	84	71	73	51

Source: 1986 and 1996 Censuses, Statistics Canada

### The unemployment experience of recent immigrants worsened in the early 1990s

The 1996 Census data indicate that among recent immigrants of prime working age, 13.8 percent of men and 20.2 percent of women were unemployed in 1996. In contrast, the 1986 Census data indicate that among recent immigrants of the same age group, 11.7 percent of men and 15.0 percent of women were unemployed in 1986. Relative to Canadian-born

persons, this represents a widening in the unemployment rate from 1986 to 1996 of 3 to 5 percentage points for immigrant men and 4.6 to 11.6 percentage points for immigrant women. As with employment rates, differences in unemployment rates between Canadian-born individuals and recent immigrants are generally larger at higher levels of education.

**Unemployment rate (%) by education level, persons aged 25-44, 1986 and 1996**

Highest level of schooling completed	Men		Women	
	Canadian-born	Recent immigrants	Canadian-born	Recent immigrants
<b>1986 Census</b>				
Less than high school	13.5	10.8	15.2	19.2
High school	7.1	10.3	10.0	16.2
Some post-secondary	8.1	13.0	10.9	12.6
Non-university	7.6	11.9	8.4	12.9
University	3.9	12.3	6.5	13.4
Total	8.7	11.7	10.4	15.0
<b>1996 Census</b>				
Less than high school	16.4	16.4	15.5	24.7
High school	8.8	15.2	8.2	20.1
Some post-secondary	9.4	15.1	9.9	19.7
Non-university	8.1	12.3	8.0	19.3
University	3.5	13.0	4.3	19.1
Total	9.3	13.8	8.6	20.2

Source: 1986 and 1996 Censuses, Statistics Canada

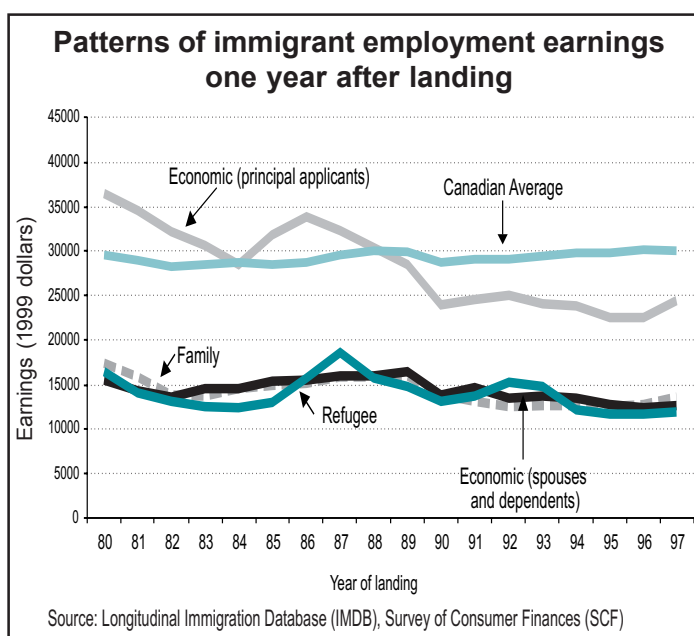
**Immigrants who came to Canada in the early 1990s have not performed well in terms of initial earnings**

Early earnings outcomes of immigrants who landed in the 1990s contrast with the historical trend in immigrant earnings. Immigrants landing in the early 1990s had significantly lower initial earnings than Canadian-born residents and previous cohorts of immigrants. This was particularly true among immigrants selected for their skills and those with a higher level of education and knowledge of Canada's official languages. In fact, economic principal applicants who landed in 1980 had earnings 23 percent above the Canadian average one year after landing. By the late 1980s, the premium had disappeared and, by the mid-1990s, economic principal applicants generally suffered a 20 percent deficit relative to the Canadian average one year after landing.

**While initial employment earnings of recent immigrants have remained steady, more recent cohorts enjoyed higher earnings growth**

Tracking individual cohorts through time provides two insights into what has happened to immigrants landing in the 1990s. First, the most recent data (1996-98) indicate that entry earnings are no longer falling significantly, although there has been little improvement in initial earnings. Second, among cohorts of economic principal applicants landing in the 1990s, the more recent cohorts enjoyed higher earnings growth.

Employment earnings of economic principal applicants landed in 1990 grew at an annual rate of 4.9 percent for the first three years after landing; this rate rose to 11.9 percent for the 1995 cohort. Taken together, these two points suggest that economic outcomes for recent immigrants are improving, although more analysis, particularly on the dynamics of earnings catch-up rates, is needed before a trend can be established.



Source: Longitudinal Immigration Database (IMDB), Survey of Consumer Finances (SCF)



### Although Canada's recent immigrants have a high risk of low income, recent data show a decline in the low-income rate among this group

The Survey of Consumer Finances (SCF) indicates that the percentage of all families (excluding elderly families) falling below the poverty line (Statistics Canada's 1992 Low Income Cutoffs) rose only slightly between 1985 and 1997 – from 14.3 percent to 15.3 percent. However, the proportion rose sharply for recent immigrants to Canada – from 23 percent in 1985 to 39 percent in 1997. Further, while the percentage of all non-elderly Canadian families receiving some form of social assistance during a given year rose from 7 percent to 11 percent over 1989-97, it rose from 7 percent to 17 percent among families headed by recent immigrants during the same period. The data does not reveal the extent of the impact of refugee claimants on these outcomes.

More recent data from the Survey of Labour and Income Dynamics (SLID) indicate that the low-income situation of recent immigrants may be improving. For example, this data shows that the low-income rate for recent immigrants fell from 38 percent to 30.3 percent between 1996 and 1999, while it fell from 17.3 percent to 15 percent among all persons over the same period.

### The reasons behind the declining labour market success of recent immigrants are not clear

It is not clear why recent immigrants are experiencing less labour market success than those who landed in the 1980s; several factors may be at play. For instance, prevailing economic conditions during an immigrant's first few years after landing may affect his or her long-term performance. Those entering the labour market at a time of high unemployment may be unemployed longer and suffer a permanent *dampening* effect on their future income stream. Large numbers of immigrants settled in the late 1980s and early 1990s as the economy was entering a severe recession (1990-91). Inflows of immigrants remained high through the early 1990s, a period characterized by high unemployment and sluggish employment growth.

### Conclusion

Immigrants landing in the 1990s have done more poorly than previous cohorts in terms of earnings and employment outcomes, in spite of the fact that recent immigrants are more educated. These poor labour market outcomes are also occurring at a time of changing demographics in Canada (slower population growth and population aging) in which immigration is becoming increasingly important from a labour supply perspective. The latest data indicate that while initial employment earnings of recent immigrants remained steady,

more recent cohorts have enjoyed higher earnings growth and the overall low-income rate among recent immigrants is declining.

Despite signs of improvement in the labour market integration of immigrants to Canada, there is still cause for concern. First, initial employment earnings among immigrants remain low by comparison with the Canadian average and the earnings of previous cohorts of immigrants. Second, immigrants who landed during the recession of the early 1990s appear to have paid a price in terms of slow earnings growth relative to immigrants landing as the economy recovered. It is possible that the current slowing down of the Canadian economy, though much less pronounced than the one of the early 1990s, could have an impact on the labour market integration of new immigrants to Canada and on their long-term performance. Third, among families headed by recent immigrants, the percentage receiving some form of social assistance remains high relative to the average for all families. Fourth, low-income rates for non-elderly families headed by recent immigrants remain well above the average for all families. Fifth, difficulties in the recognition of foreign credentials and work experience hamper the labour market integration of immigrants. In sum, while the economic outcomes of recent immigrants have improved over the last few years, obstacles to their integration remain and are significant.

#### About this Publication...

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