



Saskatchewan Labour Market Trends: 2004 Update Summary of Key Findings

COMPARISON TO 2000 REPORT

The *Saskatchewan Labour Market Trends* report, which was published in 2000, provided a general overview of the labour market in the province and a projection of the future labour market supply. This report refines and updates the forecast of labour supply, using more recent data and taking into account current trends. The methodology to project the population and labour force has been enhanced and the report now includes projections for the Aboriginal population – the original report included only the First Nations.

Demographic trends are slow to change so the findings in this report differ only in degree from those in the previous one.

METHODOLOGY AND ASSUMPTIONS

The report uses a three-step process to forecast the size of the potential labour force.

- The size of the general population by age and gender is projected. A “cohort survival” methodology is used for the projection.
- The proportion of the population that will be in the labour market (labour force participation rate) is projected for each age and gender cohort.
- The two estimates are combined to yield a projection of the size and composition of the labour force.

The report has a number of assumptions driving those projections and estimates. The two key ones are as follows.

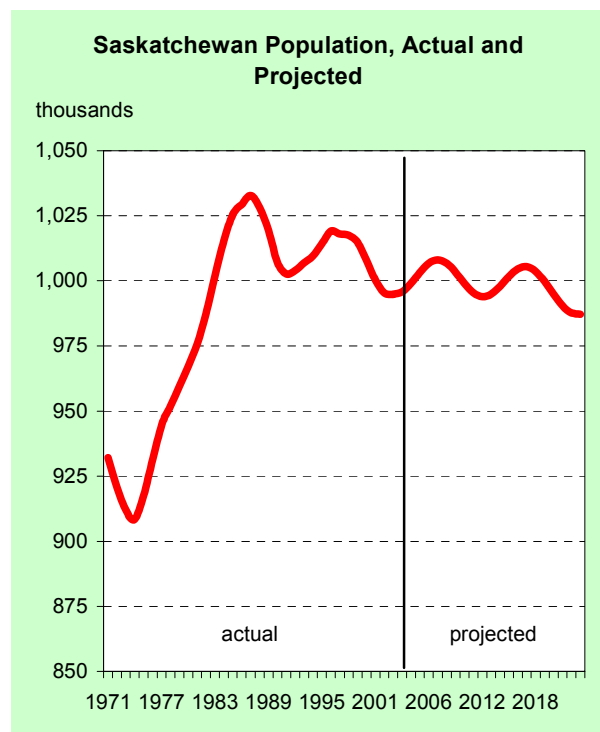
- The population projection is based on a “present trends continue” scenario. That is, recent patterns in fertility and interprovincial migration are assumed to continue. In particular, fertility rates for the Aboriginal population are forecast to continue to approach those for the non-Aboriginal population. Interprovincial migration flows will cycle near the rates evident in the past decade.
- Labour force participation rates will increase. This is because the labour market will tighten, increasing the demand for employees, and because the education levels in the population generally, and the Aboriginal population specifically, are assumed to increase.

POPULATION PROJECTION

The Saskatchewan population has cycled near one million people in the past and the population projection suggests that if present trends continue, it will continue to do so over the forecast period. Within that constant population of one million people, however, there will be two noticeable demographic shifts that are quantified in the report.

The first is an aging of the bulge of “baby boomers” from their forties and early fifties into the retirement age group. The second is the entry of a relatively large cohort of Aboriginal people into the primary labour market age group, 25 to 59 years of age.

As a consequence, the size of the primary labour market age group will grow slowly over the early part



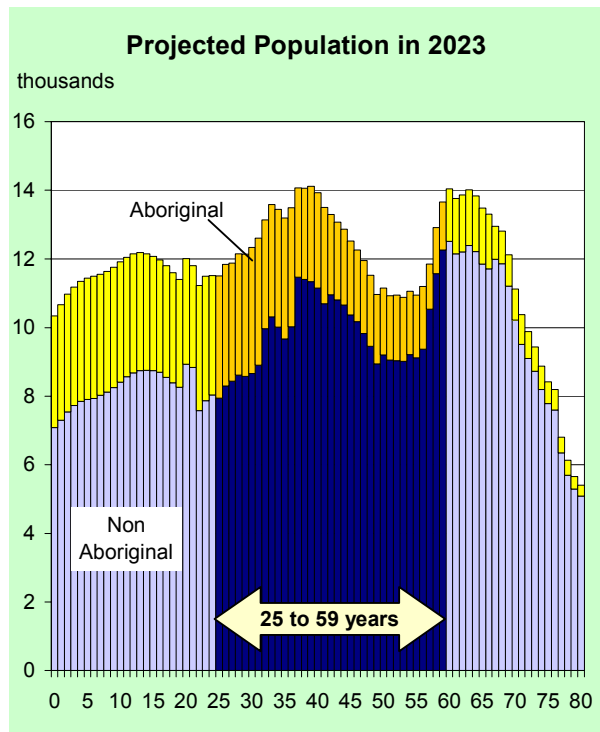
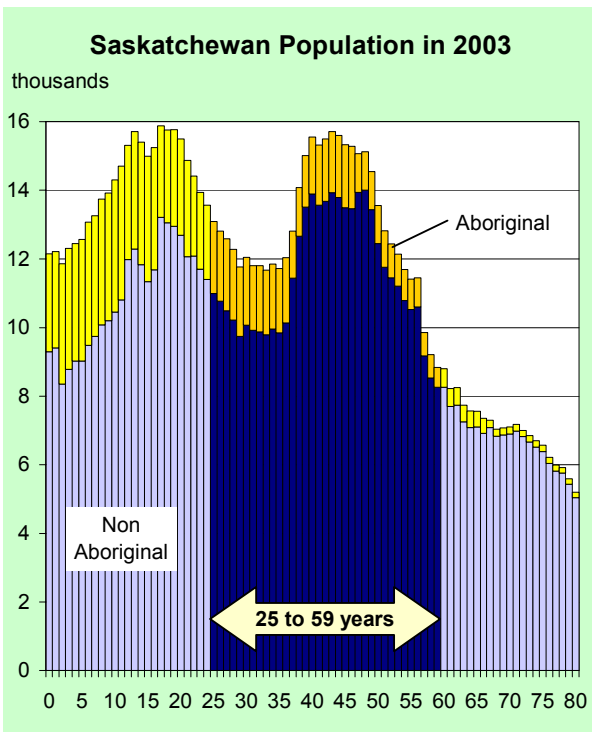
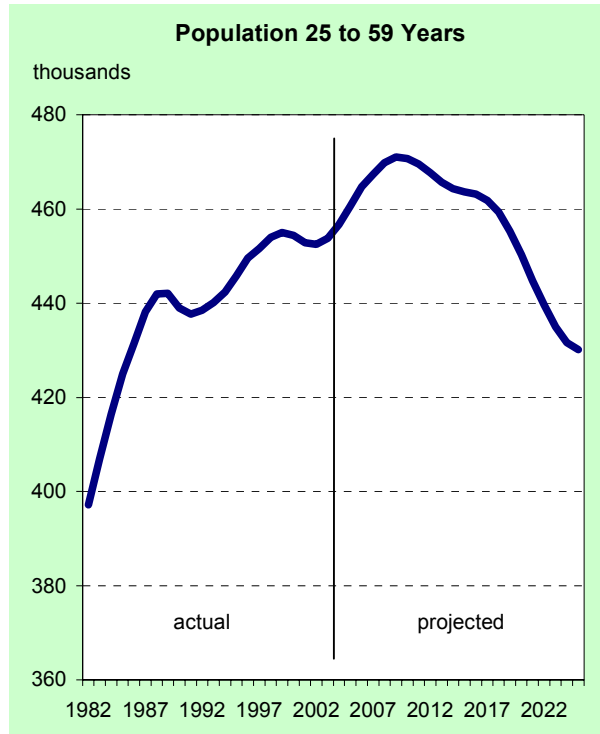
of the forecast period, peaking at 471,000 and then beginning to decline. An increasing proportion of these residents will be Aboriginal.

An aging provincial population will affect many aspects of the Saskatchewan economy, including its taxation base, housing market, and health care system, to name a few. The one that is addressed in the study is the impact on the labour market.

LABOUR FORCE PARTICIPATION RATES

Participation rates are a measure of the proportion of the population for a given age and gender in the labour force, that is, employed or looking for work. Although there is an opportunity to increase the rates for all Saskatchewan residents, the largest potential for an increase in labour market participation is among two subgroups in the population – women and those of Aboriginal identity. Participation rates in the province are already near the maximum for most other groups.

The projected rates assume that participation rates will rise for both groups. This, in turn, implies that education levels for the Aboriginal population will increase, particularly among those in the younger age groups. The projection does not assume that the entire gap between Aboriginal and non-Aboriginal rates will close but it does assume significant progress toward this goal.



To illustrate the impact that increasing participation rates will have on the size of the potential labour market, two scenarios are developed – one with rates at their current level and one with increasing labour force participation rates.

LABOUR MARKET PROJECTION

The labour force participation rates are combined with the population projection to yield the potential labour force. With constant participation rates, the size of the potential labour force peaks at 546,000 in 2008 and then begins to fall rapidly. With the expected increase in participation rates, the size of the potential labour force continues to grow at much the same rate as it has in the recent past before leveling off near 565,000 and beginning to fall late in the forecast period.

This shows the importance of increasing participation rates in order to ensure an adequate labour force in the future. This in turn, demonstrates the need to improve the labour force participation rates for the Aboriginal population by increasing the level of completed education in this demographically important group.

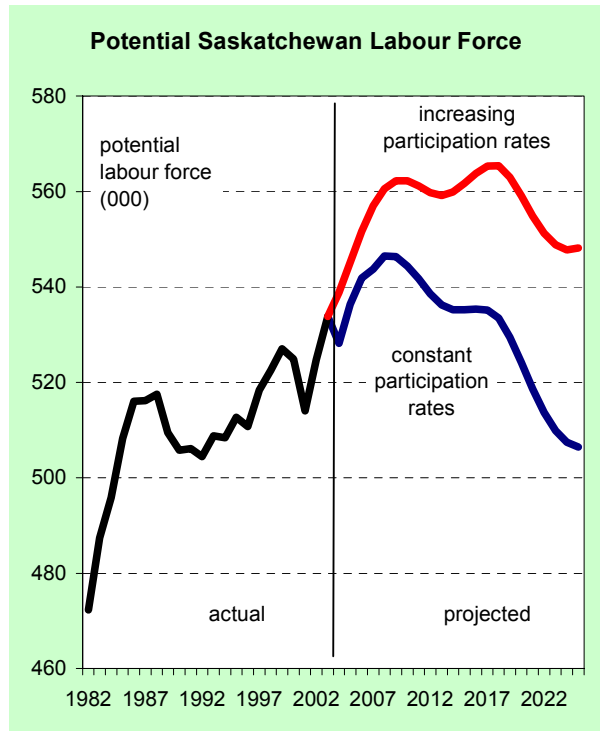
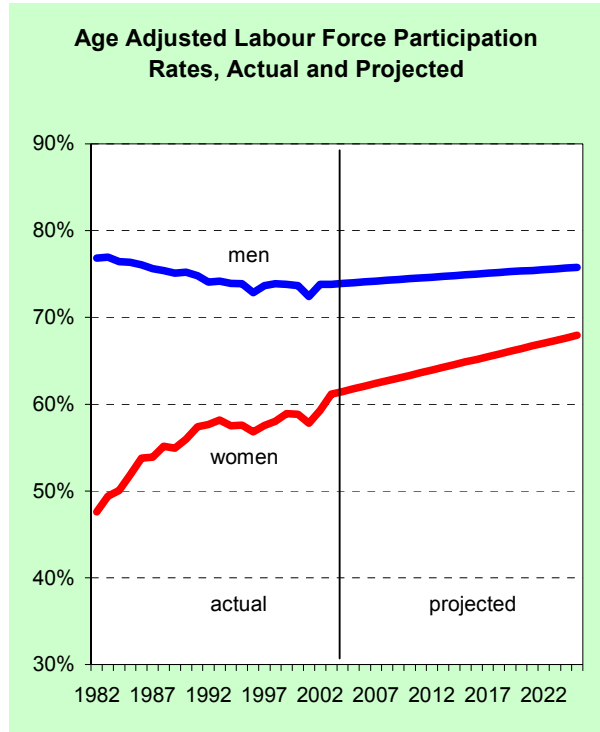
There is an urgency to this issue that belies the fact that the expected decline in the labour force does not occur for ten to fifteen years. If a new entrant to the labour market in 2015 has four years of post-secondary education, then they are currently in their early 'teens and will soon be entering the secondary grades.

IMPLICATIONS

Most economists agree that a general shortage of labour is unprecedented in the North American economy and that the consequences are not fully understood. Faced with a general shortage of labour, the labour market will change in a number of complex ways.

- Wage rates will rise to attract those who are not in the labour force, those working for other employers, or those who live outside the province or country. The wage premium for employees with higher skill levels will increase.
- Employers will automate or streamline as much of their operations as possible in order to reduce the demand for labour. Employees will need higher levels of training to work in these knowledge-intensive work places.
- Labour intensive industries and employers will either become less profitable, relocate closer to a source of labour, or cease operations.

The shortage of labour will not manifest itself as a sudden inability for employers to hire people.



Instead, we can expect to see an ever-increasing number of specific skill shortages as the labour market struggles to meet the demands of the economy. Some of these kinds of skill shortages have been evident in the past few years; they will become more common.

The presence of an Aboriginal population in the province that is demographically situated to replace the retiring baby boom generation has been called Saskatchewan's strategic advantage. Among Canadian provinces only Manitoba has a similar advantage. There are a number of ways in which governments, businesses, and citizens can take advantage of this, but the key one is to ensure that young people receive the training and education they need to fully participate in the province's labour market.

December 1, 2004
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