

Earnings and Employment Trends ♦ January 2000

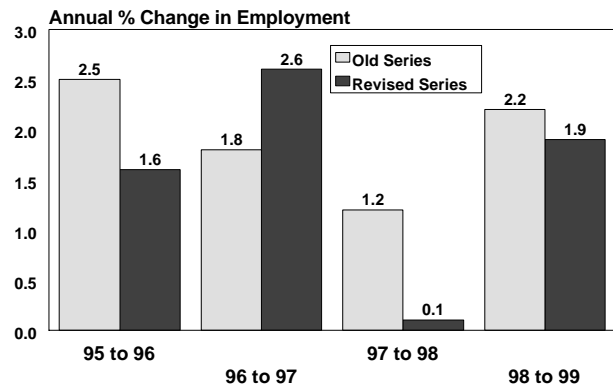
NOTE TO USERS: Major Revisions to the Labour Force Survey

Every five years, Statistics Canada revises the Labour Force Survey numbers to match the most recent Census population numbers. This new benchmarking to the Census population has always affected the levels of the labour force, employment and unemployment. However, the rates (employment growth rate, unemployment rate, participation rate, etc.) did not change significantly.

All the data series in this release have been revised to reflect the new population counts based on the 1996 Census. On top of this, Statistics Canada has introduced a further revision, a new method of estimation called "composite estimation"¹. As a result, all estimates have been revised back to 1976. Users should be aware that the new estimates have changed significantly, not only the levels, but the rates as well. To illustrate the impact of the revisions on the rates, the following chart shows the more recent years of employment growth based on the old method of estimation compared to the new.

¹ Composite estimation combines two different methods to estimate the levels of employment, unemployment, etc. The first method of estimation is the traditional way, with monthly levels of employment, unemployment, etc being estimated from the sample levels; and a second method which estimates the monthly levels from the change in labour market status among individuals who remain in the sample from one month to the next and applying that change to the previous month's levels. By averaging these two different estimates, the month to month changes in the estimates are less volatile.

The Revised Series Show Very Different Growth Patterns in Employment



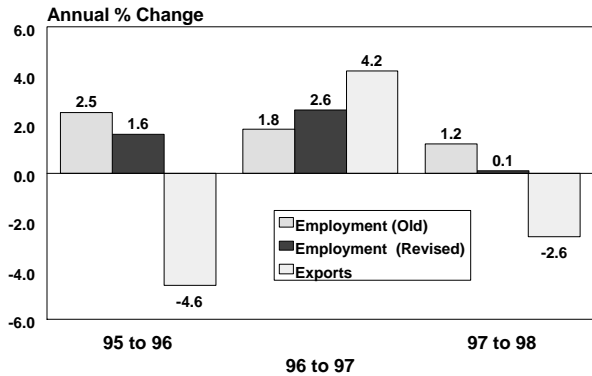
The impact of the revisions are very obvious in the annual employment growth patterns between 1995 and 1998. While both the old and revised series reflect similar percentage increases over the whole time frame, the variation between years is significant. The employment growth for 1996 has been cut almost in half, and for 1998 all employment growth has been virtually wiped out.

The general feeling is that the new methodology will improve the reliability of the estimates. To some extent, that has already been proven true. Labour market analysts were sceptical about the old employment series, particularly those for 1998, when moderate employment growth continued well into the year at the same time other economic indicators and anecdotal evidence were telling quite a different story.

The chart below shows how the revisions in the three year period brought employment growth more in line with what could be ex-

pected according to other economic indicators (exports are used as the example). In both 1996 and 1998, exports fell off and yet, according to the old series the employment remained fairly robust. The revised series have brought the employment numbers more in line with expectations.

The Revised Series Match More Closely Other Economic Performance Indicators



As far as the wages and hours go, the changes were not nearly as dramatic². In 1999, the average wage rate under the old method was \$17.33 per hour and under the new method it has been reduced by 7 cents to \$17.26. Despite the decrease, BC continues to have the highest hourly wage rate in Canada. In terms of the hours worked, the revisions have been minimal.

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² Composite estimation is used only on the levels of labour force, employment, and unemployment so the other variables, such as earnings and hours, change only to the extent that the distribution of employment has shifted between industries, or between the sexes, etc. which, in turn, will alter the weighting patterns and hence aggregate values.