

## Earnings and Employment Trends ♦ November 2000

### Statistics Canada's new data on turnover in the workforce.

The Labour Force Survey provides monthly data on employment levels in BC. Comparing these levels from one month to the next provides the user with estimates of net job creation or loss. However, to date there have been no measures available on the dynamics behind these changes. For example, what does a 5,000 increase in employment, mean -- did 5,000 new people find work in the month or did 20,000 new people find work alongside 15,000 who lost their job?

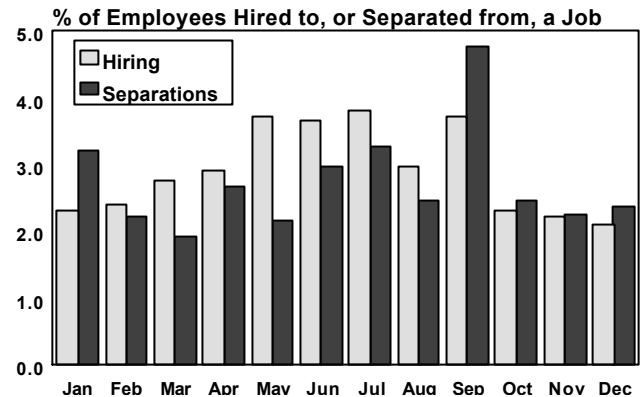
As well as this issue of flow into and out of employment, there is also the question of how much turnover or movement between employers occurs each month. Previously, data from the Labour Force Survey were not able to provide answers to such questions.

Statistics Canada has released an experimental set of numbers covering the 1998/99 period that measures the movement in and out of jobs each month – how many people were hired and how many were laid-off or quit. The adjoining chart demonstrates the seasonal nature of hiring and separations in BC.

September is definitely the month when the most churning in the workforce goes on. Each September, almost 8.5 per cent of the workforce is either in a new job and/or has left a job<sup>1</sup>.

<sup>1</sup> Persons who separated from an employer and were hired by another employer within the month would be counted both as a hire and a separation.

### Seasonality of Hiring and Separation Rates British Columbia -- Average 1998 & 1999

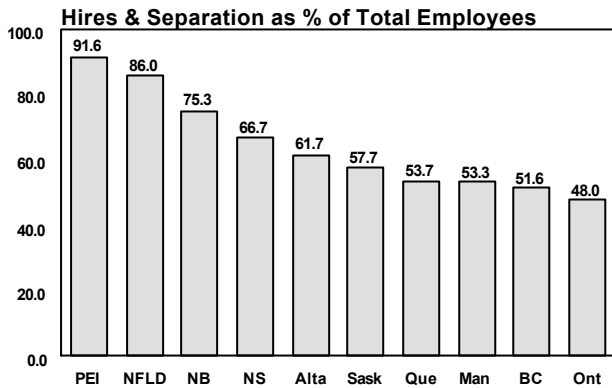


Students returning to school represent a significant proportion of the large September separation of employees. Alongside this occurrence is a high hiring rate. The data suggest that much of this influx is a direct result of the student phenomenon – employers are hiring new employees to replace the student outflow.

There is not a hard and fast rule on how to measure employee turnover. Usually, turnover is measured either by the hiring rate, the separation rate or the sum of the two rates. Probably the latter measure is the best indicator of the relative disruption employers encounter over the year due to staff turnover.

Seasonal employment, when employees are hired and laid off within the same year, is the main driver of turnover. All four Atlantic provinces, particularly PEI, have high seasonal employment fluctuations whereas Ontario, BC and Alberta have low seasonal fluctuations. The chart on the next page demonstrates the high correlation between provincial turnover rates and seasonal employment fluctuations across the country.

## Annual Turnover Rate by Province Average 1998 & 1999



It should be noted that the numbers in this chart do not reflect the number of employees who are impacted by turnover. For example, the 92% for PEI's turnover rate does not mean that 92% of the workforce either separated or were hired over the year. This results from the fact that those who move from one job to another within the year are counted twice, once as a separation and once as a new hire. In addition, many temporary employees may make several job moves over the year. Instead, the 92 per cent reflects the amount of staffing actions required by employers each year.

The only province that shows relatively high turnover despite low seasonality is Alberta. This discrepancy illustrates another factor that will create high turnover and that is tight labour market conditions. In 1999, Alberta employees seemed to have a lot of bargaining power -- their quit rate was the highest in the country. Thus their high turnover is primarily due to employees moving between employers.

On the other hand, over the 1998/99 period, BC's labour market was fairly stagnant compared to other provinces -- employment growth rates were the lowest in the country and unemployment rates underwent little change. Because of this, BC had relatively low separation

rates, both in terms of quits and layoffs, as well as low hire rates.

Another factor that contributed to BC's low turnover rates is its relatively low seasonal fluctuations in employment. Despite this, there are some industries that had much higher variation in employment over the year. While it is not possible to measure the full turnover by industry<sup>2</sup>, the hiring rate provides a good indicator of the turnover magnitude by industry.

## Most of the Industries that have high hiring rates are the highly seasonal industries.



\*Primarily consists of business services such as Employment Agencies but also includes travel agencies

The industry with the highest turnover is the Management/Administrative Services, which includes temporary job services. As would be expected, next come the seasonal Primary industries and the tourist industry of "Accommodation & Food". At the low end of the turnover scale sit the Finance & Insurance and Public Sector where services are required all year around.

The high retirement levels of baby boomers expected over the next several years should have a significant impact on employee turnover. Continued monitoring of turnover rates may provide insights into possible pressures facing some industries.

<sup>2</sup> Because industry detail is collected only on the current job, it is not possible to categorize the industry from which the employee separated if they moved to another industry within the same month.