

Business Indicators ♦ August 2007

British Columbia's Public Sector

The public sector is a significant source of employment in BC, providing 370,310¹ jobs in 2006. One in six workers in the province was employed in the public sector, which includes federal, provincial and local government departments and agencies, public sector institutions and crown corporations.

Institutions are the biggest employers in the public sector

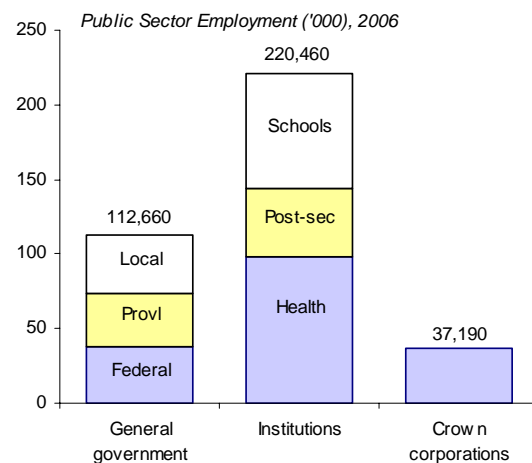
Health and educational institutions are the biggest employers in the public sector, accounting for three out of every five public sector jobs (220,460) in the province. Hospitals and social service institutions had the biggest payroll, with a total of 97,880 employees. Local school boards employed another 76,210 people, while 46,380 British Columbians worked at post-secondary institutions (publicly-funded universities, colleges and technical schools).

A total of 112,660 people worked for federal, provincial and local government ministries and agencies. Local governments employed the largest number (39,280) of general² government sector workers. There were fewer people on federal (38,080) and provincial (35,300) government payrolls.

Crown corporations employed 37,190 British Columbians in 2006, the vast majority (28,890) of whom worked for provincial crown

corporations. Federal crown corporations provided another 8,170 jobs, while about 140 British Columbians were employed by local government business enterprises in 2006.

Three out of five public sector workers are employed at health and educational institutions



Data Source: Statistics Canada

It should be noted that these employment figures do not distinguish between full-time and part-time workers. Part-time employment is quite common in some areas of the public sector (for example, many health care workers have part-time jobs), so high job counts in some sectors are a reflection of work arrangements as well as the amount of labour used by the sector.

Employment growth in the public sector

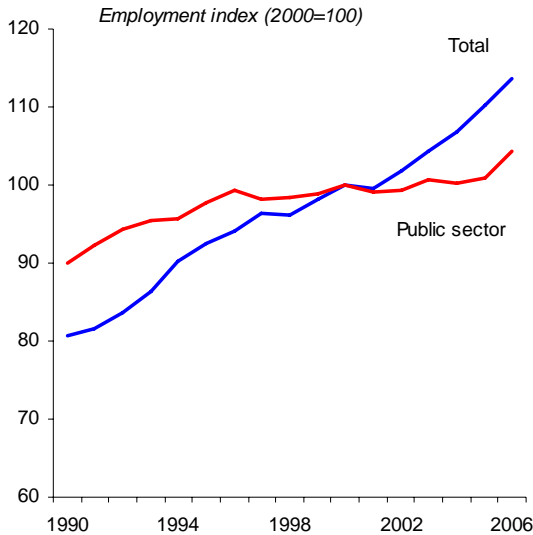
British Columbia's labour market has been going through a period of extremely strong growth. Unemployment rates in the province are currently at or near thirty-year lows, and the number of jobs in the province has increased

¹ Except for total employment, which is based on Labour Force Survey statistics, the employment figures quoted in this article come from the Public Institutions Division of Statistics Canada and are based on payroll information provided by government departments and other public sector organizations.

² General government includes government ministries and departments, as well as agencies such as the Workers' Compensation Board, which are funded, but not necessarily controlled, by government.

steadily since 2002, growing at rates in excess of three percent during the last two years.

Public sector employment growth slower than average over the long run...



Data Source: Statistics Canada

Employment growth in the public sector has been slower than in the private sector. During the 1990s, total employment in the province increased twice as fast as the number of public sector jobs. The gap has widened since then, with total employment rising about 14% since 2000, while the number of public sector workers has expanded by about 4%.

The last decade and a half has seen significant changes in the composition of the public sector in most regions of the country. The demand for health and education services has continued to expand and this has led to job growth in these areas. At the same time, the 1990s were a period of restructuring and restraint as provincial and federal governments focussed on efforts to balance budgets and reduce the impact of government on the economy.

In British Columbia, employment in federal general government declined during the 1990s, while provincial government employment continued to increase. Restructuring of the

provincial government did not take place until the early years of this decade.

...but employment increased significantly in 2006



Data Source: Statistics Canada

Strong job growth in 2006

After many years of relatively slow growth, public sector employment in the province has begun to expand, growing significantly (+3.4%) in 2006 and continuing on an upward path during the first six months of this year. The increase in public sector employment during 2006 was the biggest since 1990, and exceeded the employment gains made in the economy as a whole (+3.0%). Alberta (+3.6%) was the only province to see a bigger expansion in public sector employment during 2006. Saskatchewan (+2.4%) and Ontario (+2.3%) also posted increases that were above the national average of 1.9%.

In BC, most parts of the public sector took on more workers during 2006. Federal and local crown corporations were the only exceptions.

Employment in education, health and social services³ increased 3.7% and the number of people working for crown corporations was up 3.2% overall, largely due to job growth at provincial crown corporations. Total employment at federal, provincial and local government ministries and agencies rose 2.7%.

The federal government expanded its workforce 3.3%, posting the strongest gain recorded since 2001. Last year was a census year, and part of the increase in federal general government employment during 2006 was related to the hiring of temporary workers to assist with census preparation, enumeration and the processing of census forms. This was also a factor in the increase that occurred in 2001, the last year to see similarly strong job growth (+5.2%) in federal general government employment in BC.

The number of people working in provincial general government (+2.8%) and at local school boards (+4.2%) grew more than in any year since the mid-1990s. Employment in local governments was up 2.0% during 2006.

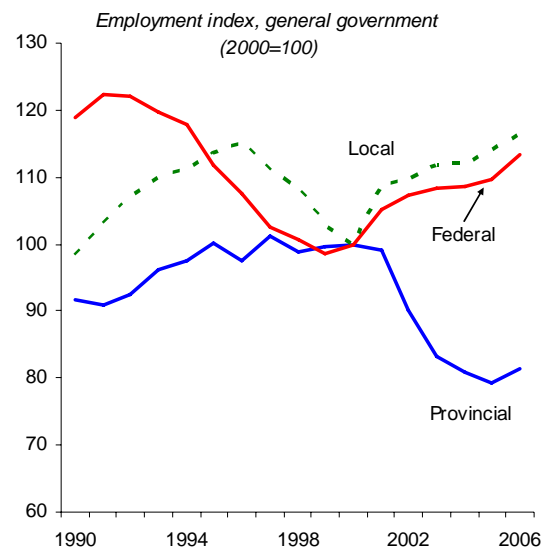
Trends in public sector employment since 2000

Total employment in BC’s public sector rose only 1% between 2000 and 2005 as the province experienced moderate growth or reductions in some areas within the public sector. The growth that occurred was largely offset by big declines in provincial government employment. Between 2000 and 2005, provincial general government employment dropped 21%. Employment at post-secondary institutions and local school boards decreased about 4%.

Last year’s unusually large increase occurred more or less across the board, boosting job counts throughout most of the public sector. However,

employment in provincial general government remains well below the levels recorded at the beginning of the decade. 2000 was a peak year for the provincial government, which had seen its workforce grow to 43,310 by the turn of the century. Since then, more than 8,000 jobs have been eliminated. Provincial general government employment in 2005 was the lowest it has been since 1981, the first year for which comparable employment figures are available.

Employment in provincial government ministries and agencies down 18% since 2000



Data Source: Statistics Canada

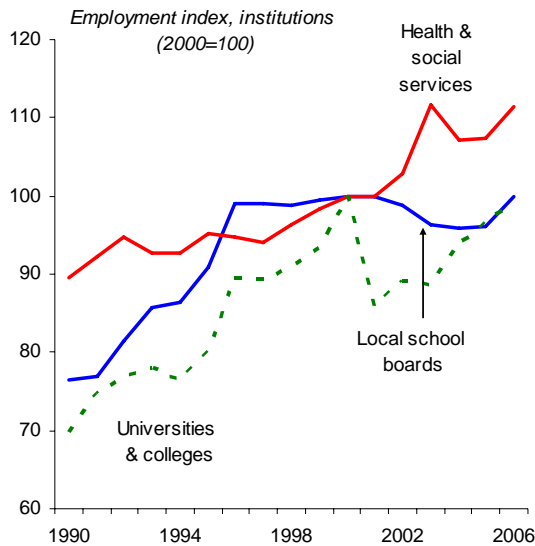
While provincial general government employment has been declining, the number of people working for federal and local government departments has been climbing. Following substantial reductions throughout the 1990s, federal general government employment has been on the rise since 2000, increasing 13% by 2006. However, there are still fewer British Columbians working for the federal government than there were in 1990. Employment in local general government has also been rising, and has expanded 16% since 2000.

Although federal and local government employment have contributed to recent increases in the size of the public sector, the

³ Education, health and social services includes schools, post-secondary institutions, hospitals and other public health and social service institutions.

main source of job growth over the longer term has been institutions, especially health and social service institutions, which have seen significant expansions in the size of their workforce.

More workers in health & social services



Data Source: Statistics Canada

Total employment at health and social service institutions in the province has risen 11% since 2000, nearly three times the 4% growth in the public sector as a whole, but slightly less than the 14% increase in the total number of jobs in the province.

Employment at universities and colleges has fluctuated, but was at virtually the same level in 2006 as in 2000. Similarly, although the number of workers at local school boards had been falling, a 4.2% increase in 2006 brought employment at BC schools back up to 2000 levels.

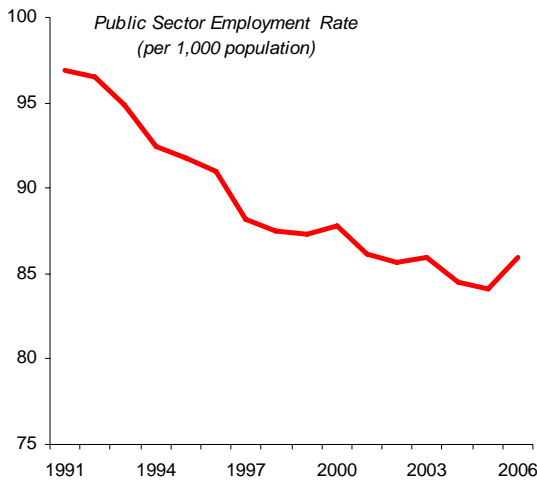
Crown corporation employment has risen 12% since 2000. Employment in provincial crown corporations has expanded 17%, partly as a result of changes in the structure of some organizations that provide public services to British Columbians.

However, the number of people working for federal and local crowns has been declining. Employment at federal crown corporations was down 3% from 2000 while local crown corporations shed 35% of their workers. The effect of these declines on total crown corporation employment was negligible since federal and local crown corporations represent such a small proportion of total crown corporation employment.

Public sector employment rate

Does an increase in the number of people on the public payroll imply that the impact of the public sector on the economy is increasing? Looking at the employment figures alone, one could certainly reach that conclusion. However, employment figures by themselves are only a partial indicator of changes in the relative size of the public sector because the demand for many public sector services, such as health care, education, social assistance and some administrative functions grows with the population. A bigger population means that more hospital services are required, and an increase in the number of school-aged children and young adults living in the province is likely to mean an increase in the demand for primary, secondary and post-secondary education services. The need for social services is also affected by population change, as are the administrative functions of government. The provision of most of these services is labour-intensive, so an increase in demand is almost always accompanied by an increase in employment to supply these services.

BC's public sector employment rate jumped in 2006



Data Source: Statistics Canada & BC Stats

The public sector employment rate compares employment in the public sector with the size of the population. Using this measure, it can be seen that BC's public sector employment rate has dropped significantly since the early 1990s, as the increase in the number of public sector jobs has fallen short of population growth in the province.

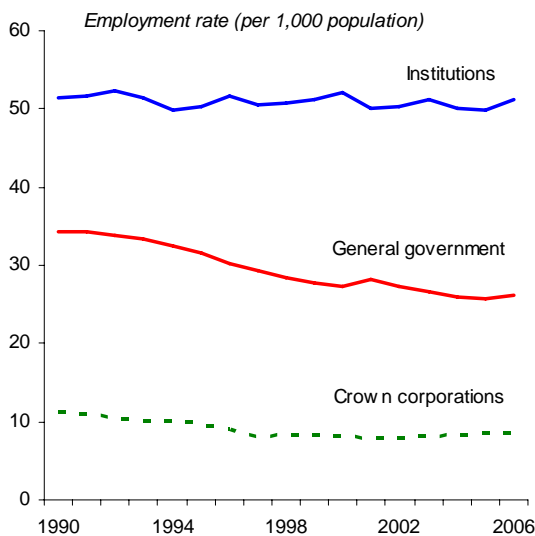
Although the employment rate jumped to 85.9 per 1,000 residents in 2006, it remains very low by historic levels. Local school boards, health & social service institutions, universities & colleges, and federal general government contributed the most to the increase in the overall rate last year, as did crown corporations. However, the employment rate increased throughout the public sector.

Over the longer term, the decline in the public sector employment rate can be traced back to general government employment. The number of people working in health care and educational institutions, as well as crown corporations has kept pace with population growth during the last decade and a half, but employment in government ministries and agencies has not grown as fast as the population.

How does BC compare to other provinces?

The public sector employment rate in BC is the lowest in the country, at 85.9 per 1,000 population in 2006. Alberta (87.9) and Ontario (89.2) were the only provinces with similarly low employment rates. The national average was 96.3.

General government employment rate has been falling

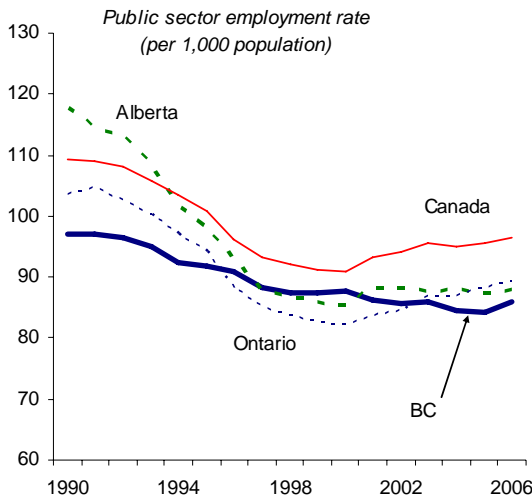


Data Source: Statistics Canada & BC Stats

Saskatchewan (139) was the province with the highest public sector employment rate. The employment rate at health and social service institutions in that province was nearly double the national average.

Public sector employment in both Alberta and Ontario grew substantially starting in 2000, counteracting considerable reductions that occurred throughout the 1990s. In Alberta, total public sector employment is now at almost the same level as in 1990 (296,690 in 2006), after just over 46,000 jobs were eliminated during the 1990s. Public sector employment in Ontario is 6.1% higher than in 1990 (1,132,290 in 2006), even though about 119,500 jobs were eliminated during the 1990s.

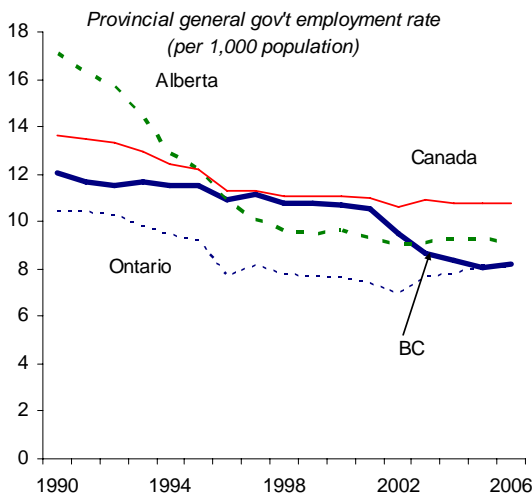
BC's public sector employment rate is the lowest in the country



Data Source: Statistics Canada & BC Stats

Since 2000, public sector employment has increased 17.8% in Ontario and 15.8% in Alberta. However, Alberta has seen significant population growth during this period, and the province's employment rate has remained relatively stable. In Ontario, the number of public sector workers has grown faster than the population in recent years.

BC and Ontario have the lowest provincial general government employment rates



Data Source: Statistics Canada & BC Stats

Alberta experienced substantial cutbacks in provincial general government employment throughout the 1990s, as did Ontario. Alberta's provincial general government employment rate fell significantly during this period, bringing it more in line with rates seen in other provinces. The rate dropped below the national average in the mid-1990s, and has remained there since. Ontario's provincial government also cut back on its workforce during the 1990s, but these reductions have been more than offset by high employment growth since 2000.

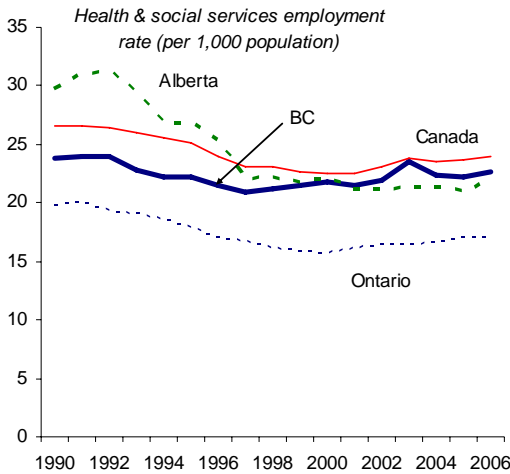
In BC, the provincial general government employment rate was relatively stable until the beginning of this decade, but has been falling since then. Currently, British Columbia has the second lowest provincial general government employment rate at 8.2 per 1,000 residents. Ontario continues to have the lowest rate at 8.1 per 1,000 residents, despite recent increases in its workforce. The national average was 10.8 in 2006.

Employment in federal and local general government has remained quite stable during the last decade and a half, increasing at about the same rate as the population as a whole. In BC, the federal general government employment rate was 8.8 in 2006, up slightly from 8.3 at the beginning of the decade. The local government employment rate rose from 8.4 to 9.1 over the same period.

The employment rate at schools (17.7) and post-secondary institutions (10.8) in BC was marginally lower in 2006 than in 2000.

The employment rate at public health and social service institutions in the province was 22.7 in 2006, just below the national average of 23.9. Ontario was well below average, employing only 17.0 health and social service workers for every 1,000 people. BC's employment rate has remained remarkably stable during the period since 1990. In contrast, Alberta's employment rate has fallen significantly and is now similar to that in the rest of the country.

**Employment rate at health care institutions
has remained stable**



Data Source: Statistics Canada & BC Stats

Overall, the public sector has undergone substantial changes in recent years, both nationally and provincially. BC now has the lowest level of public sector employment per capita, and recent cutbacks have brought the size of BC's provincial public sector (relative to the population) more in line with that in Ontario and Alberta. Beginning in 2000, total public sector employment increased rapidly in Alberta and Ontario, whereas it slowed down in BC. More recently, a sudden upturn in employment in BC's public sector may indicate that the downsizing that characterized the early part of this decade may be coming to an end. The experiences in Alberta and Ontario certainly suggest that the reductions in the size of the public sector that occurred there during the 1990s were relatively short-lived.