

# Use of the Canadian Labour Force Survey for Collecting Additional Labour-related Information

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## **An Overview of the History of the Canadian Labour Force Survey**

The Canadian Labour Force Survey (CLFS) is a household survey carried out monthly by Statistics Canada. Since its inception in late 1945<sup>1</sup>, the basic objectives of the LFS have been to divide the working-age population into three mutually exclusive classifications - employed, unemployed, and not in the labour force. The CLFS is the “official” source of employment and unemployment data in Canada.

The Canadian Labour Force Survey was initially developed to satisfy a need for reliable and timely data required on the massive labour market changes involved in the transition from a war-time to a peace-time economy. The survey was designed to provide estimates of employment by industry and occupation at the regional as well as the national level. A quarterly survey initially, the CLFS became a monthly survey in 1952.

The original CLFS was a simple questionnaire, relying on questions of “main activity” to determine labour force status. As of the late 1950s, relatively little additional labour-related information was collected on the short, 31 question form. Industry, occupation, class of worker and some information on hours worked was collected on those whose main or secondary activity was “working”. For the unemployed, there was a question on duration of unemployment, and whether the person was looking for full-time or part-time work. From the main activity questions, one could also see the general nature of the activities of those not in the labour force (e.g. keeping house, attending school or retired)

Although the paper form changed, along with some of the questions, the information collected on the CLFS remained more or less unchanged until 1976, when a new revised questionnaire was introduced. As time passed, labour market information needs had broadened and a need for more precise questioning emerged. Direct questioning to determine labour market status was introduced, to replace the “main activity” style of information previously recorded. The direct questioning approach adopted in 1976 is the same as that used by the CLFS today – a hierarchy of questions determine first if the person is employed (either at work or not during the reference week), then if they are not employed, the questions determine if they are unemployed. The residual population is not in the labour force.

Defining who was part of the supply of labour became more refined with the 1976 redesign. Under the old design, people who were economically active but who did not report employment as a main or secondary activity were not counted among the employed. As well, people who did not report looking for work as a main/secondary activity were not counted among the

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<sup>1</sup> As of September 2005, the Canadian Labour Force Survey had been conducted 663 times, making it one of the most frequently run surveys in the country.

unemployed, even though they would today be counted as such (e.g. people on temporary layoff not looking for work). In the end, with the 1976 redesigned questionnaire, new concepts of employment and unemployment fit better within the production boundary as defined by the System of National Accounts.

With the 1976 redesign, new survey content was introduced. Much of it focused on hours worked. Firstly, rather than a dichotomous full-time/part-time status recorded under the old design, usual hours were recorded as answered by the respondent. As well, overtime or extra hours information was collected for the first time, as was data on hours lost due to part or full week absence. Actual hours information, previously logged in groupings, was recorded to the hour. Since questions on multiple job holding were added, usual and actual hours at the main and other jobs could be measured.

The other major change with the 1976 redesigned questionnaire was the addition of questions to collect more information on the non-employed population. The unemployed could now be split into three groups – job searchers, people on temporary layoff, and those who had a job to start in the near future. Duration of joblessness was also new, as was a question on the main reason for leaving the previous job. Discouragement was also measured for the first time, although the definition was more restrictive than the one currently used in the CLFS. For job searchers, the type of job sought (full-time or part-time, lasting 6 months or more) was added.

### **The current CLFS questionnaire**

In 1991, work began on the next redesign of the questionnaire. This redesign arose from a few concerns, one of which was the need to address data gaps that had arisen as a result of significant changes in the Canadian labour market. Although the 1976 questionnaire had done a remarkable job at illuminating several emerging labour market issues, new information was required. As well, new computer assisted interviewing (CAI) technologies were available which allowed a full array of on-line edits and complex questionnaire design not possible with a paper form<sup>2</sup>.

After careful consideration to the value of additional questions, the suitability of the LFS as the vehicle for the new questions, response burden and cost, the following were added to the questionnaire and implemented in 1997:

- Hourly and weekly earnings
- Union membership and collective agreement coverage
- Job permanence
- Number of employees at location of work and all facilities of employer
- Added detail on personal or family reasons for working part-time or for work absences.
- New hirings and separations
- Paid and unpaid overtime hours

Along with these new additions to content, a number of other questionnaire changes occurred, in an effort to improve existing measures. Changes to questions identifying people on temporary layoff as well a change to the job search question were introduced. As well, the measure of involuntary part-time became more refined, as did the estimation of discouragement. The concept of usual hours changed for employees, now reflecting their contractual workweek (excluding any usually-worked overtime). For employees with non variable hours, actual hours became an accounting of the usual hours, plus overtime, minus hours absent.

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<sup>2</sup> Sunter, Kinack, Akyeampong and Charrette, "The Labour Force Survey: Development of a New Questionnaire for 1997", Statistics Canada, 1995.

## **“Other” labour-related information currently collected by the CLFS**

With its long history, and current modular approach to collecting a wide variety of labour-related information, the CLFS database is rich, both in terms of time series and content.

Although the 1997 re-design introduced a number of new content items, the measurement of employment and unemployment was unaffected by the new questionnaire. As a result, these key series go back to 1976. Other series go back as far as 1987 (industry, occupation, class of worker and regional data), while the educational attainment data starts in 1990. Naturally, those new items added with the 1997 re-design commence with the January 1997 survey.

In terms of content, the CLFS now produces a wide variety of “other” labour data that qualify the employed and unemployed, and a wide variety of other demographic and education data that is useful in labour market analysis.

### **About the CLFS Methods:**

*Since January 2005, the monthly LFS sample size has been approximately 54,000 households, resulting in the collection of labour market information for well over 100,000 individuals. Interviewing takes place in the middle of each month, during the week following the reference week (normally the week containing the 15<sup>th</sup> of the month). Proxy interviews are accepted in the CLFS.*

*The Canadian LFS uses a probability sample that is based on a stratified multi-stage design. Each province is divided into large geographic stratum. The first stage of sampling consists of selecting smaller geographic areas, called clusters, from within each stratum. The second stage of sampling consists of selecting dwellings from within each selected cluster.*

*The LFS uses a rotating panel sample design so that selected dwellings remain in the LFS sample for six consecutive months. Each month about 1/6th of the LFS sampled dwellings are in their first (birth) month of the survey, 1/6th are in their second month of the survey, and so on. One feature of the LFS sample design is that each of the six rotation groups can be used as a representative sample by itself.*

*Most interviewing is conducted over the telephone from regional offices in various parts of the country. Some personal interviewing is conducted, mostly during the first month that the respondent is in the sample. Nationwide on any given month, about 25% of the interviewing is face to face, while the remainder is over the telephone.*

*The response rate to the CLFS is high (around 93%). Within selected dwellings, basic demographic information is collected for all household members. Labour force information is collected for all civilian household members who are aged 15 and over. Interviewers use a Blaise-based application to collect the information, which is transmitted nightly during the collection period over a secure line to Statistics Canada's head office in Ottawa where it is processed prior to tabulation, analysis and dissemination. Release of the CLFS data occurs every month on the Statistics Canada website ([www.statcan.ca](http://www.statcan.ca)) two weeks after the end of collection.*

*For more information on the Canadian Labour Force Survey, please go to:*

*<http://www.statcan.ca/cqj-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=3701&lang=en&db=IMDB&dbq=f&adm=8&dis=2>*

While much could be said about the CLFS and what it can produce, this paper will focus on describing the questions, concepts and methods used to produce the data from the CLFS which describe work quality, in keeping with the International Labour Organization's (ILO) need for information on how countries can provide indicators of “Decent Work.”<sup>3</sup>. The ILO has proposed a

<sup>3</sup> Anker, R., Chernyshev, I., Egger, Ph., Mehran, F. and Ritter, J., *Measuring Decent Work with Statistical Indicators*. Policy Integration Department, Statistical Development and Analysis, Working Paper No. 2. International Labour Office, Geneva, October 2002.

statistical framework for the measurement of Decent Work, which includes 10 dimensions and a variety of statistical indicators<sup>4</sup>.

### **The most important elements of the Canadian Labour Force Survey for the measurement of the nature of work**

After an examination of the dimensions of Decent Work, and the indicators proposed to monitor it, it was decided that the questions, concepts and methods described in this paper would focus around the following elements of the CLFS, listed in the order that they appear on the questionnaire:

1. Industry, occupation, class of worker
2. Hours of work
3. Employee earnings
4. Union membership and collective agreement coverage
5. Job permanence

### **Industry, occupation and class of worker**

The industry, occupation and class of worker (status in employment) information is collected in the same module of questions on the CLFS, which follow the main questions that determine key flows through the questionnaire. The following questions are asked of people currently employed, or who are not working but who had been employed in the previous 12 months. Text in italics would not be read to respondents.

- 110 Was ... an employee, or self-employed? (*if employee, go to 114*)
- 111 Did...have an incorporated business?
- 112 Did...have any employees?
- 113 What was the name of ...'s business? (*go to 115*)
- 114 For whom did ... work?
- 115 What kind of business, industry or service was this?
- 116 What kind of work was ... doing?
- 117 What were ...'s most important activities or duties?

For these questions, the information that is collected refers to the person's main job – that is, the job at which he/she works the most hours. Later in the CLFS interview, if the person is a multiple job-holder, he/she will be re-asked the first three questions in reference to the second job.

Basically, from the above questions, the first three will determine the person's class of worker (employee, and five types of self-employed). There are a number of important uses of these data, including the conversion of ILO-based concepts of employed persons to counts of the number of "jobs"<sup>5</sup>, which, together with the actual hours data from CLFS, is crucial in the calculation of national accounts work volume and productivity estimation.

Besides this, the class of worker data are important indicators of the quality of work. Past studies have shown that self-employed earnings, on average, are less than those of employees and hours worked are high<sup>6</sup>. As well as the earnings and hours implications of self-employment,

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<sup>4</sup> The 10 Dimensions of Decent Work are as follows: 1) Employment opportunities; 2) Unacceptable work; 3) Adequate earnings and productive work; 4) Decent hours; 5) Stability and security of work; 6) Fair treatment; 7) Safe work environment; 8) Social protection; 9) Combining work and family life; 10) Social dialogue and participation

<sup>5</sup> Maynard, J.P., *Annual Measure of the Volume of Work Consistent with the SNA: the Canadian Experience*. Statistics Canada, Ottawa, August 2005.

<sup>6</sup> Statistics Canada, *Labour Force Update: The Self-employed*. Ottawa, Autumn 1997.

there is the issue of insecurity among the self-employed. While in some contexts, self-employment may allow some to rise to high wages (some self-employed, especially the incorporated self-employed who have employees, tend to earn much more than the average worker) and gain income security, that is not always the case. Instead, the person working in self-employment can form part of the “informal sector” of the economy, earning a living with little income security and without full engagement in the economy.

Defining self-employment can be difficult. As in other countries around the world, work arrangements that once were more clearly defined are now blurred. As a result, some people teeter between self-employment and being an employee. A contract worker, for example, may find himself coming in every weekday, working 9 to 5 like employees at the workplace, using the facilities of the contract provider, but still be considered “self-employed” as a consultant. In unclear situations, CLFS interviewers are trained to ask respondents how the federal revenue agency considers them for taxation purposes, since there is a separate taxation process for self-employed people in Canada.

Finally, the class of worker questions on the CLFS serve to route respondents through different paths in the questionnaire related to this discussion on measuring the nature of work. Key questions of wages, union coverage and job permanency (discussed later) are only asked of employees, since they do not relate to the self-employed.

The class of worker question is also essential to the determination of who is working in the private sector, and who is working in the public sector. By definition in Canada, anyone who declares themselves to be “self-employed” is in the private sector, even if he/she receives contracts exclusively from a government department or other public sector area (e.g. education or health).

Other people (employees) in the CLFS are classified according to whether they are employed in the public sector, or in the private sector. The concept of public/private sector is based on who controls or funds the establishment in which the person works. So, teachers in schools which are publicly funded are in the public sector, but teachers in private schools are, naturally, in the private sector.

The assignment of the private/public sector code is done by a group of 10-12 CLFS coders in head office in Ottawa who are examining responses to question 114 above (For whom did... work?). The name of the establishment is written in by the interviewer, and that establishment name is compared to a list of public sector establishments (government departments, hospitals, schools, government business enterprises etc.). If the coder determines that the respondent is working at an establishment on the list, then a public sector code is assigned. This coding takes place as records are transferred from the regional offices of Statistics Canada to head office in Ottawa. As a result, the public/private sector information is available on the CLFS file when the data are released two weeks following the end of the collection phase of the survey process.

Although the public/private sector information is not proposed for use by the ILO in any of their Decent Work indicators, it is used domestically as a proxy of job quality since public sector employment is generally secure, well-paying, offering reasonable hours of work. By cross-classifying the public/private sector data, it is also possible to see where government is spending its money. In recent years in Canada, for example, as the size of the civil service remains below the peak it attained in 1992, the number of public sector workers in education and health care has surged, to the point where the civil service is now smaller than the number of public sector workers in each of these two industries.

The same coders who assign the public/private sector code are assigning the industry and occupation code. For this, the coders are examining the information typed in by the interviewer in questions 114 to 117. For industry, the main questions are questions 114 and 115, and for occupation the main questions are 116 and 117. The industry coding corresponds to the North American Industry Classification System (NAICS 2001), adopted by Canada, the United States and Mexico following the North American Free Trade Agreement. The occupation coding is according to a home-grown National Occupational Classification for Statistics (2001 NOC-S) system, designed jointly by Statistics Canada and the federal human resources department (Human Resources and Skills Development Canada).

There are many uses of the CLFS industry and occupation data. Like the public/private data, they are used as proxies of job quality, since some industries and occupations are characterized by better work conditions than others. They are also looked upon for what they tell Canadians about the shifts that occur regularly in the economy. For example, currently the Canadian dollar is at a relatively high level compared to the United States dollar. Manufacturers in Canada, who export most of their product to the U.S. are continuing to operate at a very strong pace, but working to maintain profitability by laying off staff. As manufacturing employment has fallen, other industries have picked up the pace, most notably construction (housing boom), natural resources (Oil and mineral product boom) and a number of service-related industries (e.g. education).

Much of the interest in the occupation data recently has focused on skill use. The NOC occupation classification system has a code imbedded that aids in the production of statistics on employment and unemployment by skill level. For each NOC code, a skill level is assigned based on the education and/or work experience normally required to do the job<sup>7</sup>. In this way, the CLFS occupation data can be (and is) used to monitor demand for skilled and lesser skilled labour.

It should be noted that the Canadian Labour Force Survey sample, although large from some perspectives, cannot support the production of meaningful statistics of detailed industry and occupation. For detailed industry, users often turn to the Survey of Employment, Payroll and Hours, an establishment-based survey which integrates a very large set of administrative records. For detailed occupation, the best source is the Census of Population, which produces occupational data at a detailed level every five years.

When it comes to the Decent Work indicators, industry and occupation data are necessary for a number of the proposed labour market measures, most of which are in the "Fair treatment in employment" category, and relate to equal treatment of women in the workplace.

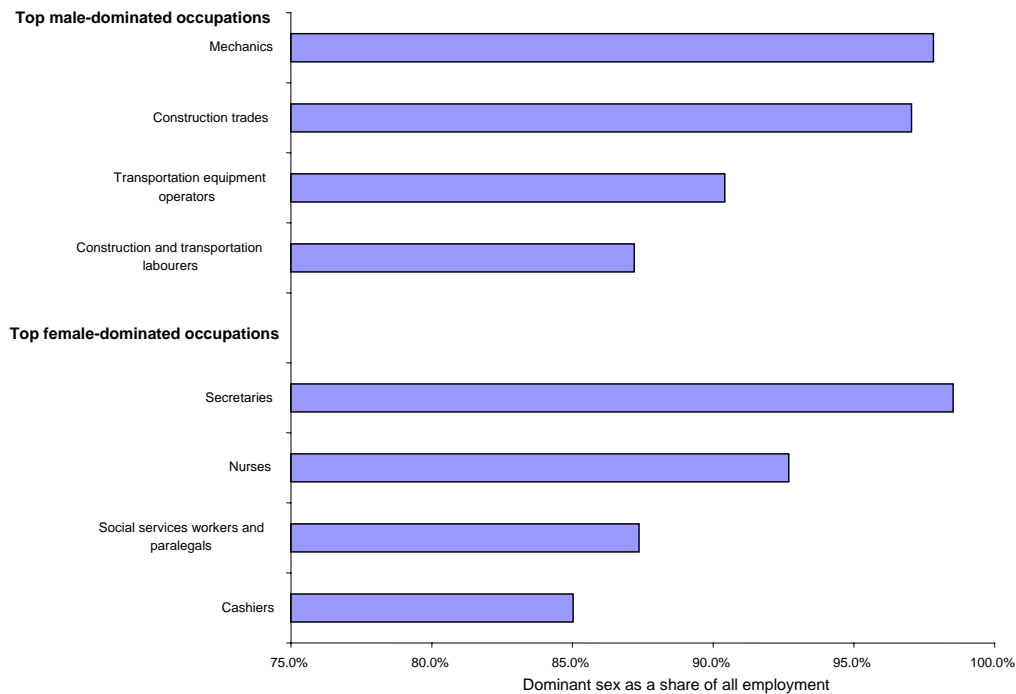
One such indicator is the share of non-agricultural employment which is in a "gender dominated" occupation, which is not necessarily a reflection of occupational discrimination, but does speak to the willingness and ability of either gender to move to a full range of occupations. In this particular case, both industry and occupation data are necessary to produce the estimate.

In 2004, there were a number of occupations in Canada which were gender dominated (where over 80% of employment was among either sex). For example, 93% of nurses are female in Canada, while 98% of mechanics are men. In total, in 2004, almost one in three (29.5%) people employed outside of agriculture were working in a gender dominated occupation.

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<sup>7</sup> For more information on how the skill level is assigned in the Canadian National Occupational Classification System, please go to [www.hrsdc.gc.ca/en/lp/lo/lsw/ee\\_tools/data/noc/overview/noc.shtml](http://www.hrsdc.gc.ca/en/lp/lo/lsw/ee_tools/data/noc/overview/noc.shtml)

**Chart 1: Example of CLFS occupation data for use as ILO Decent Work indicator: Top male and female dominated occupations, according to share in non-agricultural employment, Canada, 2004**



Source: Labour Force Survey, Statistics Canada

## Hours of work

Another popular set of data from the Canadian Labour Force Survey relates to hours of work. There are aspects of hours of work collected by the CLFS, including usual hours (used in the determination of the number of part-time and full-time workers), actual hours, paid and unpaid overtime, and work absence.

In Canada, for employees, the concept of “usual hours” is the contractual hours, rather than a “normal workweek” concept used in other countries in which some normal overtime might be included. Subtract hours absent during the reference week, and add in both the paid and unpaid overtime, and actual hours can be calculated without asking the respondent. The following is the suite of questions asked of employees:

- 150 The following questions refer to ...’s work hours [at name of employer]. Excluding overtime, does the number of paid hours ... works vary from week to week? *If yes, go to 152.*
- 151 Excluding overtime, how many paid hours does ... work per week?
- 152 Excluding overtime, on average, how many paid hours does ... usually work per week? *If absent from work for the entire week (determined earlier in questionnaire) skip rest*
- 153 Last week, how many hours was ... away from this job because of vacation, illness, or any other reason? *If 0, go to 155*
- 154 What was the main reason for that absence?
- 155 Last week, how many hours of paid overtime did ... work at this job?
- 156 Last week, how many hours extra hours without pay did ... work at this job?

For the self-employed, there can be no accounting for actual hours through the use of overtime and work absence information, because those concepts do not apply to this group. As a result, the following are the hours questions asked of the self-employed:

- 150 The following questions refer to ...'s work hours at his/her business. Does the number of hours ... works vary from week to week? *If yes, go to 152.*
- 151 How many hours does ...work per week? *Go to 157*
- 152 On average, how many hours does ... usually work per week?
- 157 Last week, how many hours did he/she actually work at his/her business?

The measurement of usual hours (questions 151 or 152) can be difficult, if the person works variable workweeks. If the respondent usually works every week, but has difficulty providing a weekly estimate, the interviewer is trained to take an average of regular hours worked in last four weeks in which some work was done. If the respondent does not usually work every week (e.g. on-call worker, or part-month workers), the interviewer is trained to total the regular hours worked in the last four weeks and divide by four (dividing by four even when the person may not have worked in all four weeks).

In addition to the complications of obtaining usual hours for workers with variable workweeks, there is an increasing problem of what is "work", since the lines between work and non-work life have become blurred in recent years. Although the LFS usual and actual hours concepts fit well with the 1962 ILO "Resolution concerning statistics of hours of work", the definition of hours of work in that resolution has become increasingly outdated. In recent months, Statistics Canada has provided recommendations for change to the resolution<sup>8</sup>, as a part of the revision of the international System of National Accounts manual.

Nevertheless, there is a great deal of confidence in the CLFS hours of work data. Not only does it produce key labour market indicators such as the number of part-time workers (usually employed fewer than 30 hours per week), the CLFS hours data are key in the productivity calculation in Canada since the CLFS data fit better than any other source with the measurement of labour input within the SNA production boundary.

The hours data are necessary for many of the ILO Decent Work indicators. Under the "Decent Hours" heading, the ILO has focused on two ends of the hours worked spectrum: 1) indicators of excessive hours; and 2) insufficient work hours. In terms of excess hours, the concern is on the share of workers putting in more than 48 hours per week. Although it would be possible to produce more refined estimates, the published CLFS estimates show the share working 50 or more hours per week. In 2004, 13.3% of workers put in excessive hours, as defined by this threshold. This is down from ten years earlier, when it peaked at 15.5%, but has been creeping up recently, the result of full-time job growth and emerging shortages in a tight labour market. On average in 2004, 21.5% of employees worked overtime per month, most of the time without pay.

On the other end of the hours spectrum are those who are working short hours, but who would prefer full-time work. These "involuntary part-timers" are the best indication of time-related underemployment. Right after the main hours questions on the CLFS are the questions that determine involuntary part-time. For people working less than 30 hours per week at their main job, the following questions are asked:

- 158 Does ... want to work 30 or more hours per week [at a single job]? *If yes, go to 160*
- 160 What is the main reason ... usually works less than 30 hours per week [at his/her main job]?
- 161 At any time in the 4 weeks ending last Saturday [date inserted], did ... look for full-time work?

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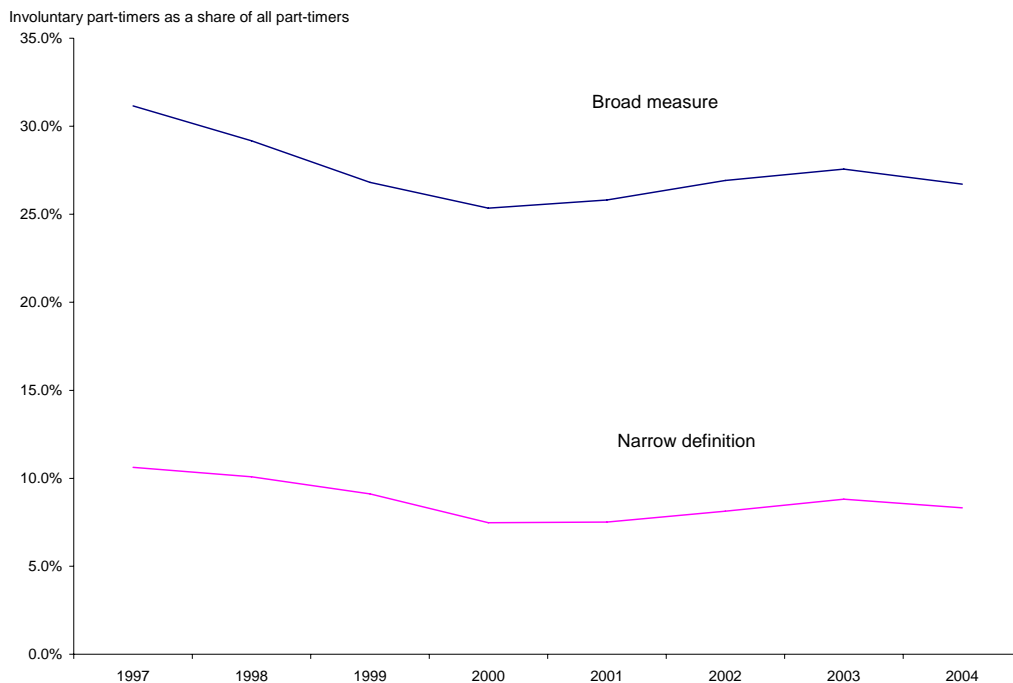
<sup>8</sup> Maynard, J.P., and Bowlby, G. *Hours of Work Input into the SNA Revision*. Unpublished working paper submitted to OECD, Ottawa, July 2005.



If people are working part-time, but would like to be working full-time but could not because of “business conditions”, because they say “could not find work with 30 or more hours per week”, they can be considered as involuntary part-timers. A more restrictive definition of involuntary part-time would also incorporate the information collected in question 161. Using this question is extending the logic of the measurement of unused labour supply (unemployed) to the measurement of underused labour supply. In each case, a job search question tests their attachment to the labour supply.

Using the broader concept of involuntary part-time, 26.7% of part-timers are employed as such involuntarily. By including a full-time job search criterion, the involuntary part-time rate drops to 8.3%. Both measures have been trending down since these questions were incorporated into the 1997 questionnaire.

**Chart 2: Example of CLFS hours data for use as ILO Decent Work indicator: Rates of involuntary part-time, Canada, 1997 to 2004**



Source: Labour Force Survey, Statistics Canada

### Employee earnings

In 1997, questions to determine hourly and weekly employee earnings were added to the CLFS, with much success. Aside from their obvious use as an indicator of job quality, they are being used as indicators of labour shortage, and as indicators of inflationary pressures<sup>9</sup>.

More often than not, the CLFS earnings questions are asked of respondents once during the six month period in which they are in sample. During the first interview, all employees are asked the earnings questions, which follow after the hours questions described above. So long as there is no change in the person’s job description information (questions 110 to 117), the earnings questions are not re-asked during the interviews which take place in subsequent months.

<sup>9</sup> The year over year change in the average hourly wage of permanent employees is closely watched by the central bank, the Bank of Canada, and is republished as a “key indicator of inflation” in their monthly review.

Although this means that there is a lag in the CLFS earnings data<sup>10</sup>, it improves the variability of the earnings data.

The concept being measured is the gross pay that an employee would receive on a weekly or hourly basis, during the normal part of his/her work week. Because it is the usual pay rate being measured, overtime payments are excluded (this is not in the questions, but a part of the interviewer training, to be addressed if the respondent asks). Note that this is not a pure measure of employer cost of labour, since respondents are asked to include tips, and since no attempt is made to value non-wage benefits; however, rising hourly wages are viewed as a source of cost-push inflation by the central bank.

The following are the earnings questions on the CLFS:

- 200 Now I'd like to ask a few short questions about ...'s earnings from his/her job at [name of employer]. Is he/she paid by the hour?
- 201 Does he/she usually receive tips or commissions? *If 200 is no, go to 204*
- 202 [Including tips and commissions], what is his/her hourly rate of pay?
- 204 What is the easiest way for you to tell us his/her wage or salary, [including tips and commissions] before taxes and other deductions? Would it be yearly, monthly, weekly, or on some other basis?
- 205 [Including tips and commissions], what is his/her weekly wage or salary, before taxes and other deductions?
- 206 [Including tips and commissions], what is his/her bi-weekly wage or salary, before taxes and other deductions?
- 207 [Including tips and commissions], what is his/her semi-monthly wage or salary, before taxes and other deductions?
- 208 [Including tips and commissions], what is his/her monthly wage or salary, before taxes and other deductions?
- 209 [Including tips and commissions], what is his/her yearly wage or salary, before taxes and other deductions?

Approximately 60% of respondents say "yes" to question 200. That is, 6 in ten employees in Canada are paid by the hour. In these cases, the determination of the hourly and weekly wage is simple. Hourly wages go on the CLFS file as recorded in question 202, while weekly wages are determined by multiplying this rate by the usual hours measured earlier on the questionnaire.

As one can see from the above questions, the respondent is given his/her choice of ways of responding to the CLFS earnings questions. Making the questions as easy to answer as possible has been part of the success of the CLFS earnings question. Although the highest item non-response from the CLFS comes from the earnings section (the questions do not get answered about 25% of the time because of refusal or because the respondent – sometimes a proxy respondent – does not know), it would likely be higher if respondents were forced to calculate an hourly or weekly wage when they are not paid in that fashion.

During the derivation of the CLFS variables, conducted late in the week following interviewing, all the earnings information collected with questions 205 to 209 are converted to hourly wages. Essentially, this process is two staged: first the earnings are converted to an annual earnings estimate; secondly this annual earnings estimate is divided by an estimate of the annual usual hours. For example, people who report they are paid bi-weekly see their bi-weekly gross earnings multiplied by 26 and then that annual earnings estimate is divided by the estimate of annual usual hours worked ( $52 \times \text{usual weekly hours}$ ).

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<sup>10</sup> For example, the CLFS does a good job measuring the number of people working at the minimum wage, but the effect of a change in any of the provincial minimum wages will take six months to work its way into the CLFS employment by wage distribution series. For more information, please see Statistics Canada, *Labour Force Update: A new perspective on wages*, Ottawa, Summer 1998.

Then, once the hourly wage of each employee respondent is calculated, that wage rate is multiplied by his/her usual hours to determine the weekly rate of pay for that person.

One of the proposed ILO indicators is the share of the working population which is receiving ½ the median pay, designed to be a measure of inadequate pay. In Canada, the median hourly pay rate was C\$16.35 in 2004. About 11.2% of employees in Canada earned one half this median in 2004.

As a measure of inadequate pay, this indicator does not work very well in the Canadian context. The reason for this is that it fails to account for the age and living arrangements of these employees. The minimum wage in Canada ranges from province to province, but is close to ½ the median wage in some of the largest provinces. As a result, to discuss who is employed at ½ the median wage is to discuss the minimum wage earners, more or less.

A study conducted using 2003 CLFS data found that most minimum wage earners in Canada are youths living at home with their parents, most likely a group that could not be considered to have inadequate earnings, since they are not likely to be sustaining themselves or others with the wage that they are earning. The same study, however, showed that close to one-fifth of minimum wage earners were living alone, with a non-employed spouse, or living without a spouse and raising children, a more specific group whose pay is likely inadequate<sup>11</sup>.

There are other proposed uses of labour force survey wage data in the ILO Decent Work statistical framework. For example, ratios of women's to men's wages in selected occupations have been proposed, for which the CLFS is well suited (provided the sample can support the level of occupational detail). Average earnings of all workers in selected occupations is another set of indicators, providing a good sense of the types of work and skills rewarded in today's labour market.

In fact, as a general indicator of job quality, the CLFS wage data are quite revealing. Although employees wages have begun to trend-up in 2005 as unemployment has hit a 30 year low, during the four previous years wages in Canada had only been keeping pace with inflation. There is also stability in the distribution of employment by wage – the proportion of workers in low-paid or well-paid jobs has changed little in Canada in recent years. However, amid the stability at a broad level, there are important changes in wages taking place. A recent Statistics Canada study combining a number of sources on earnings has shown that compared to 1981, newly hired men are now earning 13% less, while experienced female workers are making 14% more than they did twenty years ago<sup>12</sup>.

### **Employee union membership and collective agreement coverage**

Following the wage questions on the CLFS, there are a couple of questions (asked of employees) used to determine union membership or collective agreement coverage:

220 Is ... a union member at [name of employer]? *If no go to 221*

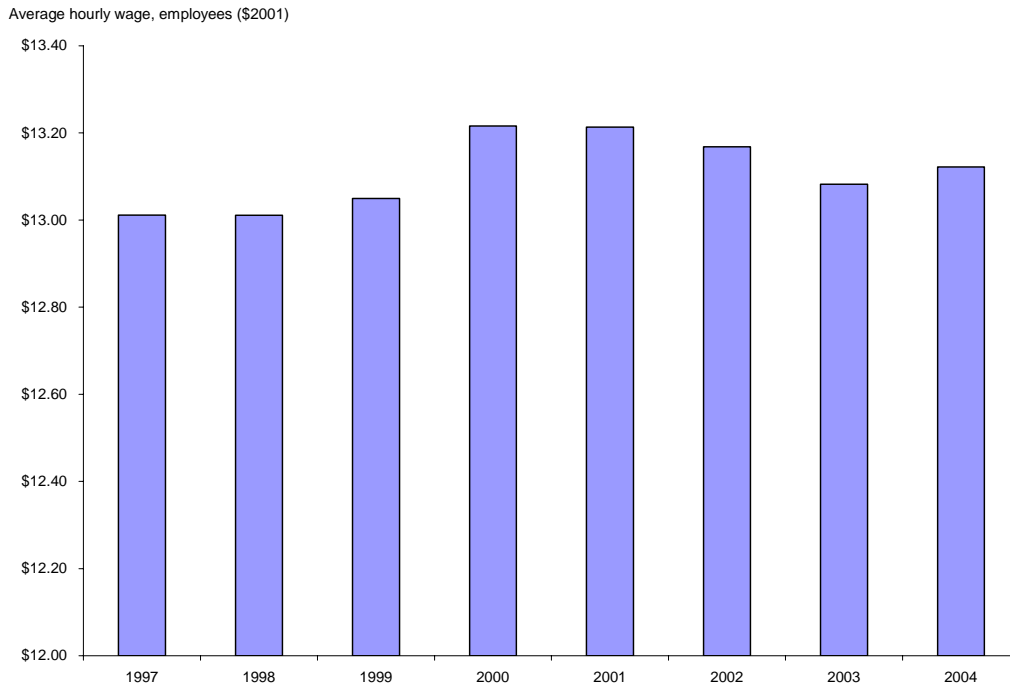
221 Is ... covered by a union contract or collective agreement?

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<sup>11</sup> Not only does the ½ the median wage not work well in Canada because it fails to account for family living arrangements, it also does not take into account household expenditures. Low income cutoffs (LICOs) are established using data from the Survey of Household Spending. They convey the income level at which a family may be in straitened circumstances because it has to spend a greater proportion of its income on necessities than the average family of similar size. LICOs are the more popular measures of inadequate earnings in Canada.

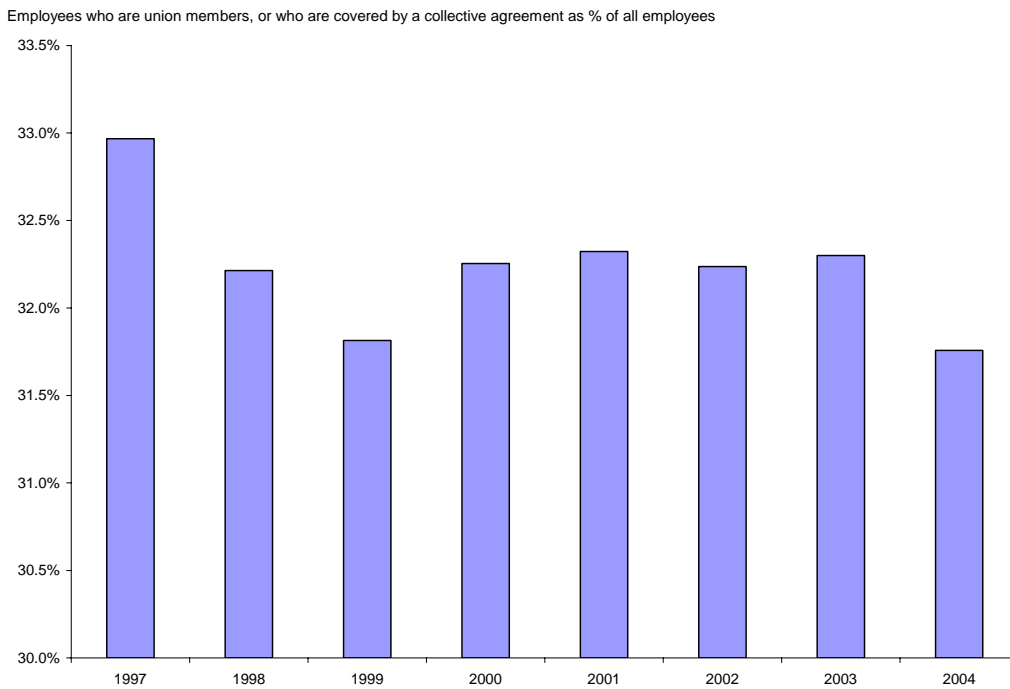
<sup>12</sup> Morissette, R., Picot, G., *Summary of: Low-paid Work and Economically Vulnerable Families over the Last Two Decades*, Statistics Canada, Ottawa, April 2005.

**Chart 3: Average hourly wage of employees, adjusted for inflation (CPI), Canada 1997 to 2004**



Source: Labour Force Survey, Statistics Canada

**Chart 4: Union coverage rates, Canada, 1997 to 2004**



Source: Labour Force Survey, Statistics Canada

Since 1997, when these two questions were added to the questionnaire, the CLFS is the main source of information on union coverage in Canada, a key element to the “social protection” dimension in the Decent Work framework. If a respondent answers “yes” to either of questions 220 or 221, then the person is said to be an employee with union coverage. All other employees are without union coverage.

Although it increased briefly during the 2000 and 2001 period, the rate of union coverage has been falling in Canada over the last eight years. In 2004, 31.8% of employees were members of a union or were covered by a collective agreement, a drop of 1.2 percentage points from 1997. Until 1995, when the act requiring the production of the data was repealed, union coverage data in Canada was calculated using information collected from an annual census of unions. According to those data, union density rates hit 35.6% in 1992, and trended downward after that year.

### **Job permanence**

Another set of CLFS data which is important to the measurement of job quality is the job permanence information, collected through the following questions:

240 Is ...'s job permanent, or is there some way that it is not permanent? (e.g. seasonal, temporary, term, casual, etc.) *If not permanent, go to 241.*

241 In what way is ...'s job not permanent?

The goal of these questions is to get a better understanding of job security or stability. In general, non-permanent jobs are seen to be of lower quality.

Unlike most other questions in the Canadian Labour Force Survey, this question is asked about the “job” rather than the characteristics of the person in the position. If the *job* is expected to last as long as the employee wants it, and as long as business conditions permit, it is considered to be a “permanent” *job*. Sometimes in Canada these permanent positions are also labelled “indeterminant”.

This question does not refer to the person’s intended tenure in the job. So, if the person has a permanent job, but plans on quitting, the job is still permanent. CLFS interviewers are trained on this concept, in case such confusion may arise during interviewing. The concept is also recorded in their interviewing manual, should they need a reminder on the concept between training sessions.

Despite the fact that job permanency is a difficult concept to measure with a household survey, the data are thought to be of sufficient quality. There is some obvious misunderstanding of the question by some respondents – the number of “permanent” workers shows a slight seasonal pattern through the year, which it should not. However, for the most part, it is believed that the CLFS job permanency data reflects what it is intended to collect.

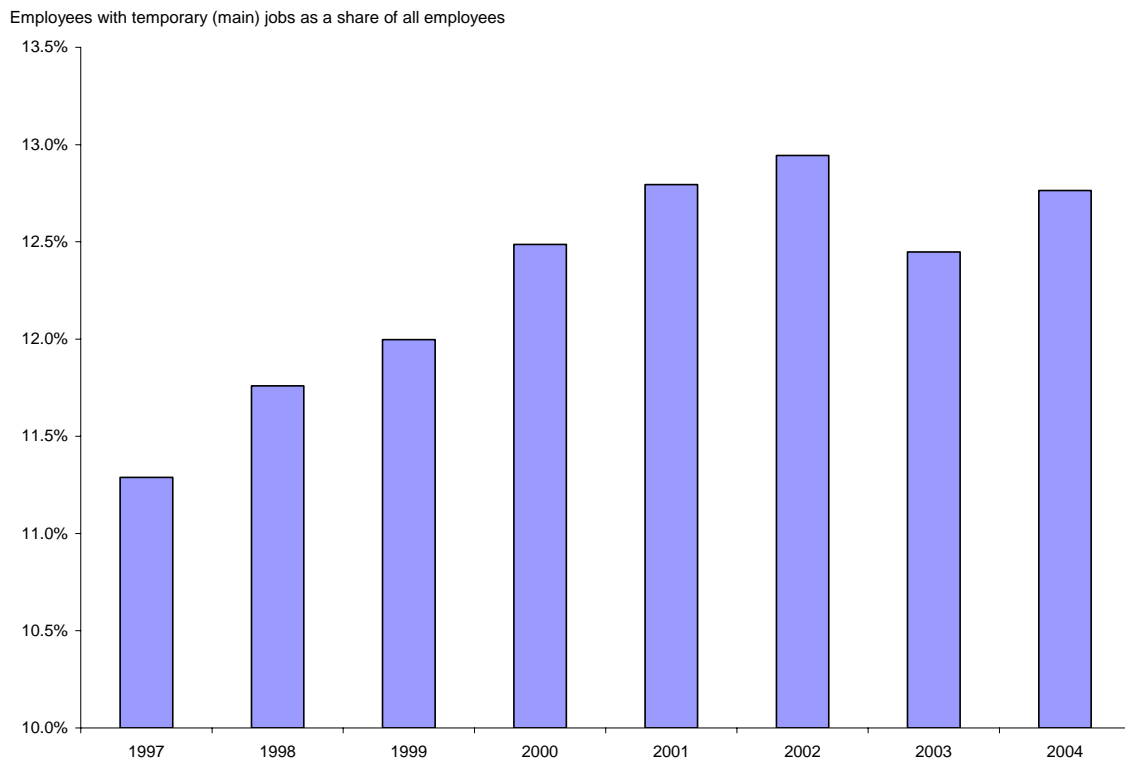
The most important use of these data in Canada is by the central bank. The Bank of Canada uses the average wage of permanent employees as an indicator of inflation, and publishes the CLFS estimate alongside the consumer price index and other cost data.

As a Decent Work indicator, the ILO has proposed the percent of employees who classify their jobs as temporary. Of the 13.5 million employees in Canada in 2004, 1.7 million say they have temporary jobs. At 12.8%, the share of employees in temporary jobs has increased from 11.3% in 1997.

Question 241 on the CLFS questionnaire provides important information on the nature of temporary work in Canada. Responses are categorized by interviewers into either: a) seasonal jobs; b) temporary, term or contract jobs; c) casual jobs; or d) work done through a temporary help agency.

For those looking to know what sort of information is collected with the CLFS on the types of temporary work, it is important to define what each of these categories means. Seasonal jobs are defined as jobs that are filled and vacated with the seasons, common in Canada. Temporary, term or contract jobs are jobs that the employer indicated would terminate at a specified point in time, or at the end of particular task or project. Casual jobs are jobs where the employee gets called into work when the need arises, not on a pre-arranged schedule. For the final category, respondents are often aware that they fall into this group, since they will receive their paycheque from the temporary help agency, not the enterprise/person who has engaged their services.

**Chart 5: Example of CLFS job permanency data for use as ILO Decent Work indicator: Rates of temporary work, Canada, 1997 to 2004**



Source: *Labour Force Survey, Statistics Canada*

In Canada, the job permanence data have been used in combination with the class of worker information, and the hours of work data, to produce estimates of the number of workers in precarious employment situations. According to a definition used by some researchers outside of Statistics Canada, anyone who not working as a full-time employee in a permanent job is counted as working in “non-standard” employment<sup>13</sup>. Since 1997, the share of people employed in non-standard work in Canada has hovered around 35%. As temporary work has become more

<sup>13</sup> Krahn, H., *Non-standard work on the rise*, in *Perspectives on Labour and Income*, Statistics Canada, Ottawa, Winter 1995.

popular, self-employment has fallen, leading to the overall stability in the share in non-standard employment.

## **Conclusion**

In short, aside from the broad employment and unemployment measures, there is plenty of “other” labour-related information provided by the Canadian Labour Force Survey. This paper has focused on key questions and the concepts upon which they are based. By showing how the CLFS measures industry, occupation, class of worker, hours of work, employee wages, union coverage and job permanency, it is hoped that this information will assist Canadians using our data, as well as members of National Statistical Offices who wish to learn from our experience.

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