



January 29, 2007

Looking Ahead:

A 10-Year Outlook for the Canadian Labour Market (2006-2015)

Background Briefing on

Future Labour Demand in Canada

The Canadian Economy is Expected to Create about 1.9 Million New Jobs over the Next Decade

According to a new report by HRSDC, Canada's total employment is expected to grow at an annual average rate of 1.1% over the 2006 to 2015 period. Although this represents a slowdown relative to the 2.0% average rate of the period 1996-2005, the Canadian economy would still create about 1.9 million new jobs over the next 10 years (compared with 2.9 million in the period 1996-2005).

The overall growth in employment levels is constrained by the projected rate of growth of labour supply in Canada, which is slowing as a result of slower population growth and the ageing of the baby boom generation of workers. This leads to a projection in which Canada's real gross domestic product (GDP) is expected to advance at an average annual rate of 2.8% over the period 2006-2015, down from the average growth rate of 3.3% over the period 1996-2005.

The distribution of that employment growth by industrial sector, occupation and overall level of educational attainment will reflect numerous factors, some of them long-term trends and some of them recent developments.

Employment Growth to Be Fastest in Service-producing Industries

Demographic and macroeconomic developments will lead to changes in Canada's industrial structure. First, slower population growth is expected to reduce output and employment growth for most industries, while changes in the age structure of the population will modify the industrial structure by favouring service-providing industries, particularly in the health sector. Second, goods-producing industries will continue to register stronger labour productivity growth, as they are expected to continue improving efficiency in order to remain competitive in the face of the lofty Canadian dollar and intense international competition.

Therefore, over the next 10 years, employment growth in the service sector will outpace that in the goods-producing industries, continuing the trend that began in the late 1980s. Employment in the service sector is expected to rise at an annual average rate of 1.2%, representing an increase of nearly 1.6 million jobs for the next 10 years. However, in the goods-producing industries, the average annual rate of new job creation will be only 0.8% (see Chart 1). Given that the goods sector only accounts for one in four jobs, this will be an increase of 0.3 million jobs for the next ten years.

In the service-producing industries, employment growth is expected to be strongest in health, computer system design and professional services. These industries will benefit from increases in public spending in health care made possible through improvements in the fiscal position of governments, the continuing movement towards a knowledge-based economy and increased investment in research and development (R&D).

Within the goods-producing sector, employment growth is expected to be low in the manufacturing sector because of a competitiveness-driven improvement in productivity, except for equipment industries (such as computer and electronic, aerospace, and fabricated metals manufacturing) which will benefit from strong global demand and high corporate profits. Also, the reduced accessibility to certain natural resources (e.g. reduction in allowable cuts in forestry, stock of fish and conventional oil reserve) will negatively affect primary industries and their related manufacturing industries.

Some Sectors of the “Old Economy” Will Perform Well

In recent years, we have seen a comeback of some sectors of the *old economy*, mainly the construction sector and the oil and gas related sectors.

The significant employment gains recorded in the construction industry since 2001 have been driven by the housing boom that occurred over that period. However, the pace of residential construction activity will slow considerably in coming years, as a result of weak pent-up demand and a decline in the number of people in the age group likely to buy a first home. Despite a slowdown in residential construction, non-

residential construction in the energy sector will give a boost to the industry, thanks to major electricity and oil and gas projects. Overall, employment in the construction industry is expected to grow at an annual average rate of 1.3% from 2006 to 2015. In addition, there will be further productivity gains as non-residential construction takes over from residential construction, as the latter is more labour-intensive (that is there is less output per worker).

The oil and gas related industries have been booming for several years due to soaring oil prices and strong world demand. Thus, oil and gas companies have begun investing heavily in the exploration of new oil and gas sources and especially in the preparation of tar sand extraction areas. These investments have contributed to a significant rise in employment in oil and gas extraction since 2001 (8.2% a year on average) and to a surge in activity in related industries such as support activities for mining and oil and gas extraction, some parts of the machinery and equipment industry and non-residential construction. A key factor looking forward is the extent to which Canada’s oil production capacity is shifting towards the oil sands, where production requires huge ongoing investments in extraction and even larger capital construction investments in processing plants, the latter recorded as construction activity. The strong activity in these sectors is expected to continue in the coming years, especially in the western provinces.

Majority of Future Job Openings Created by Retirements

Labour demand is not only coming from new jobs being created through increased economic activity or new jobs requiring new workers; there are also a significant number

of job openings created by retirements, or existing jobs requiring new workers.

The number of retirements in the Canadian economy is expected to rise markedly over the next decade: the annual retirement rate, calculated as the number of retirements divided by the level of non-student employment, is expected to rise steadily from 2.1% in 2005 to 2.6% in 2015. This simply reflects the retirement of many baby-boomers.

It means that the vast majority of job openings over the period 2006-2015 will be due to the need to replace retired workers in existing jobs. It is expected that close to 3.8 million positions will be freed up by retirements over the next ten years, over twice the number of jobs created as a result of increasing economic activity (expansion demand). In other words, about 70% of all job openings during that period will be associated with the need to replace retired workers, up from an average of about 51% over the last ten years (see Chart 2).

Two Thirds of all Job Openings Expected to Be in Occupations Usually Requiring Postsecondary Education or in Management Occupations

According to HRSDC projections, about two thirds (65.9%) of all job openings (those due to new job creation plus those due to retirements) over the next ten years will be in occupations usually requiring postsecondary education (university, college or apprenticeship training) or in management occupations (which often but not always require postsecondary education), up slightly from 63% over the last ten years. New job creation and retirements will be weakest in occupations usually requiring a high school diploma and

those requiring only on-the-job training (see Table 1).

The highest rate of expansion demand is expected to be in occupations that require a university degree (average annual rate of 1.6%), spurred by the continued shift to a knowledge-based economy and by increased public spending in the health care sector (e.g. engineers and engineering technicians, computer and information systems professionals, university professors, physicians and registered nurses). In contrast, the pace of employment growth in the lowest skilled occupations (requiring only on-the-job training) is projected to be much weaker (average annual rate of 0.6%).

Retirement pressures will be strongest in occupations where the typical age of retirement is lower (often the public sector) and where a larger proportion of the workforce is approaching that age – as is the case within many occupations usually requiring postsecondary education (also often the public sector). Key occupations that will face strong retirement pressures include elementary/secondary school teachers and registered nurses, as well as managers in public administration, health, education, social and community services.

Retirements Contributing to Job Openings in Almost all Occupations

Openings from retirements will be across the full spectrum of existing industries and occupations, not just the areas of fastest growth in the economy. For example, despite weak employment growth and a relatively low retirement rate, there is expected to be almost 1.5 million job openings in occupations usually requiring a high school diploma (such as finance and insurance clerks, assisting occupations in

health services, and motor vehicle and transit drivers).

Labour Supply Growing in Line with Labour Demand across Broad Skill Levels

Growth in labour demand is only an issue if the supply is not also forthcoming. Labour market indicators suggest that for the most part labour supply has increased in line over the last twenty years with demand across most broad skill levels. Broad skill levels correspond to groupings of occupations that usually require the same level of education (university, college, high school or on-the-job training). Unemployment rates for most broad skill levels (relative to the average of the other skill levels) have not shown any discernable trends since 1987 and real wages by broad skill level have been fairly constant since 1997.

According to HRSDC projections, labour supply will continue to grow broadly in line with labour demand across broad skill levels over the next ten years.

Challenges to Match Supply and Demand in Specific Occupations

However, market imbalances (excess demand or excess supply situations) are projected for several specific occupations within the broad skill levels at the national level (HRSDC cannot project supply, and thus imbalances, by province). For instance, several occupations in the health sector are currently facing shortage pressures, a situation that is expected to continue over the next ten years.

On the other hand, excess supply conditions are projected to persist in occupations (mainly low-skilled) specific to the primary sector and to processing, manufacturing and utilities, in sales and service occupations and among office equipment operators.

The simultaneous presence of jobs without workers and of workers without jobs suggests that there is a challenge for matching school leavers and worker skills to the needs of the job market. While matching can never be perfect due to the inherent uncertainties of job market prospects, it can be improved with better labour market information on expected future shortages and surpluses by occupation and greater responsiveness of the post secondary education system to the evolving skill needs of the labour market.

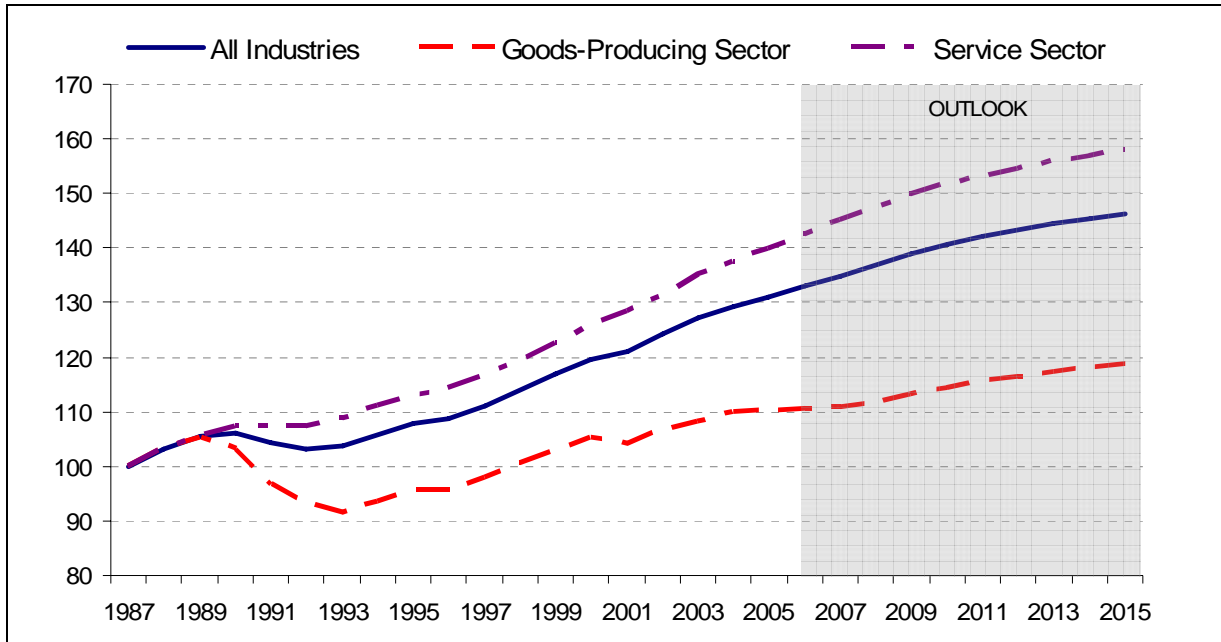
**Table 1:
Job Openings by Broad Skill Level, 2006-2015**

Skill Level (Occupation)	Expansion demand (non-student)		Retirements		Share
	Level (000s)	Rate (AAGR ¹)	Level (000s)	Rate (AAR ²)	
Total	1,697	1.1%	3,801	2.4%	100.0%
Skill level³					
Management	170	1.2%	433	2.8%	11.0%
Occupations usually requiring:					
- university education	445	1.6%	726	2.5%	21.3%
- college education or apprenticeship training	560	1.1%	1,288	2.4%	33.6%
- high school diploma	425	0.9%	1,035	2.2%	26.5%
- only on-the-job training	97	0.6%	320	2.1%	7.6%

¹ AAGR: average annual growth rate.
² AAR: annual average retirement rates, which correspond to the ratio of retirement level to employment level for each forecast year.
³ Skill levels are based on the [2001 NOC Matrix](#), in which occupations are grouped according to the education and training normally required.

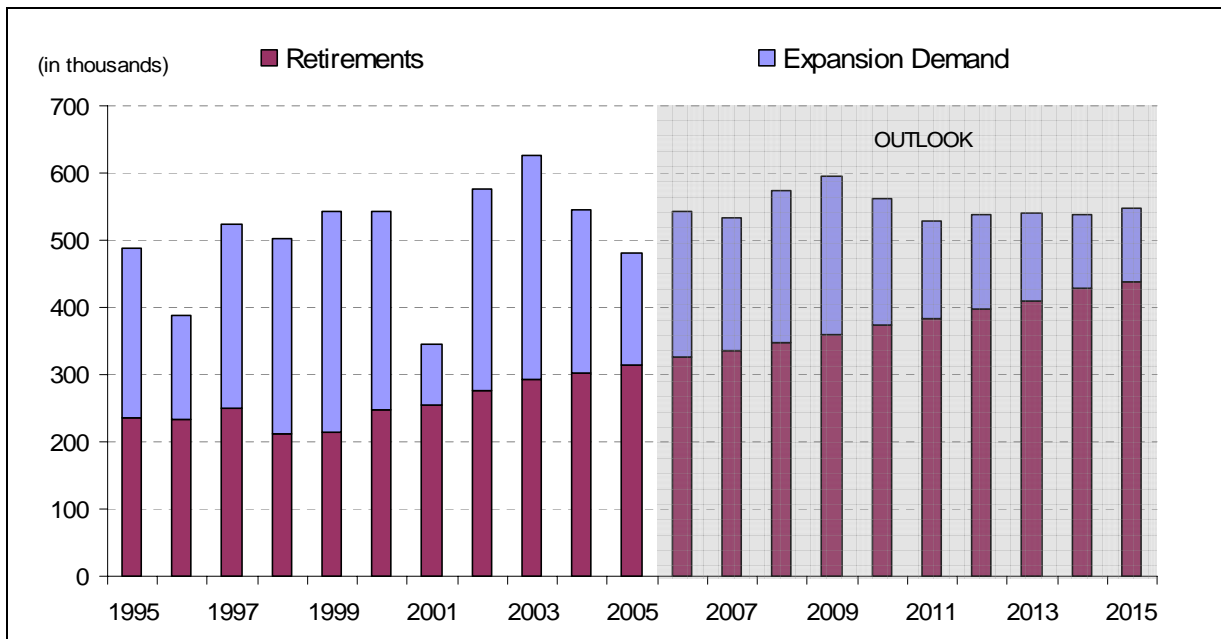
Sources: Statistics Canada and HRSDC, Strategic Policy Research Directorate (Looking-Ahead: A 10-Year Outlook for the Canadian Labour Market, 2006-2015, October 2006).

Chart 1:
Employment Growth by Industry, 1987-2015
 (Index 100 = 1987)



Sources: Statistics Canada and HRSDC, Strategic Policy Research Directorate (Looking-Ahead: A 10-Year Outlook for the Canadian Labour Market, 2006-2015, October 2006).

Chart 2:
Job Openings: Retirements and Expansion Demand, 1995-2015



Sources: Statistics Canada and HRSDC, Strategic Policy Research Directorate (Looking-Ahead: A 10-Year Outlook for the Canadian Labour Market, 2006-2015, October 2006).