



Economics
& Strategy

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An Island of Stability

by Benjamin Tal

In the current storm of bad news, the Canadian labour market has been an island of stability. Not only did the Canadian economy generate close to 400,000 new jobs in 2007, but the vast majority of them were in high-paying sectors.

Our employment quality index, which combines information on the distribution of part-time vs. full-time jobs; self-employment vs. paid employment; and the compensation ranking of full-time paid employment jobs in more than 100 industry groups, **rose by 2.8% in 2007—the largest yearly increase since 1999** (Chart 1). And the combination of rising employment and improving quality is a sure recipe for rising personal income, which as of the third quarter of 2007, rose by more than 6% on a year-over-year basis.

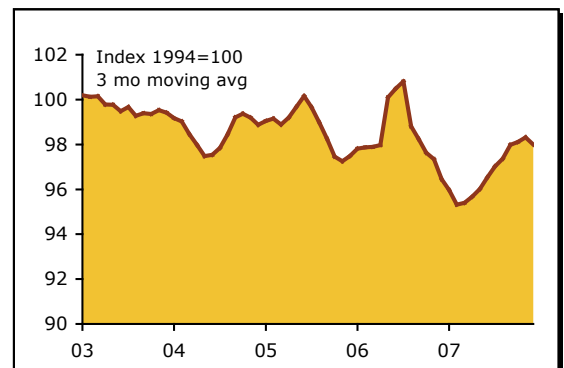
Note that the experience in Canada is very different than the situation in the US where the quality of employment fell by 1.9% in 2007 and it is now almost 12.5% below the level seen earlier in the decade (Chart 2). It seems that in Canada the loss of manufacturing jobs is being offset by job gains in sectors with equivalent and higher employment quality. That's not the case in the US where the jobs now being lost in sectors such as construction/real estate and manufacturing are being replaced by lower quality jobs.

A quick glance at the components of our employment quality index tells the tale. Interestingly, the improvement in the index was not due to a strong rise in paid employment. In fact, during 2007, self-employment rose three times faster than paid employment (Chart 3). And given that on average, self-employed earn less than 80% the income of paid employees, this trend is negative from a quality perspective.

Neither did the impressive quality performance in 2007 was due to a jump in the number of full-time jobs. In fact, part-time employment rose by a strong 3% in 2007—significantly above the 2% growth in full-time positions (Chart 4).

The main factor behind the surge in our quality measure was the wage distribution of full-time paid employment. And this

Chart 1
CIBCWM Employment Quality Index



<http://research.cibcwm.com/res/Eco/EcoResearch.html>

indicator has improved notably in 2007. The number of full-time paid employees in high-paying sectors such as public administration, computer services and oil & gas extraction rose by a strong 3.6% in 2007, while the number of jobs in low-paying sectors such as general merchandise stores, textile, and furniture manufacturing, in fact, fell by 1.2% during the year (Chart 5, Table 1).

in energy extraction and mining exploration and developments, where earnings run anywhere from 50% to 125% above the industrial average.

By province, Alberta and Saskatchewan lead the quality parade in 2007 (Chart 6)—fuelled by strong job gains

After losing some ground in the second half of 2007, our measure of employment quality for Ontario was little changed during the year. In fact, Ontario's ranking is now the second lowest among all other regions—a clear reflection of the difficulties facing the manufacturing sector in the province.

Chart 2
Employment Quality Index—Canada vs US

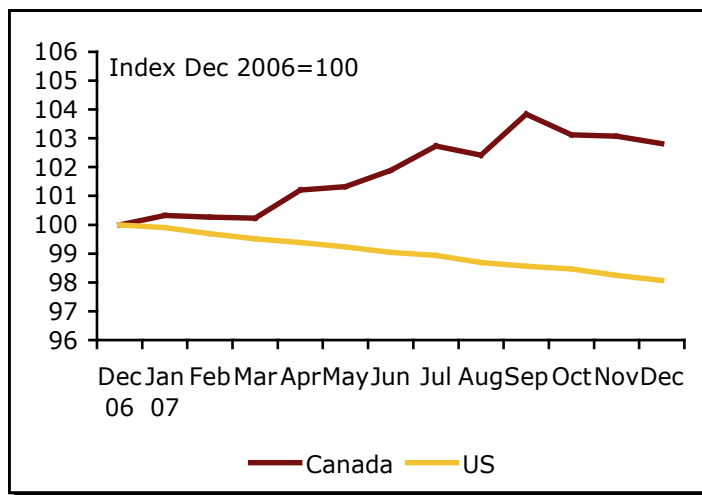


Chart 4
Part-Time vs. Full-Time Jobs

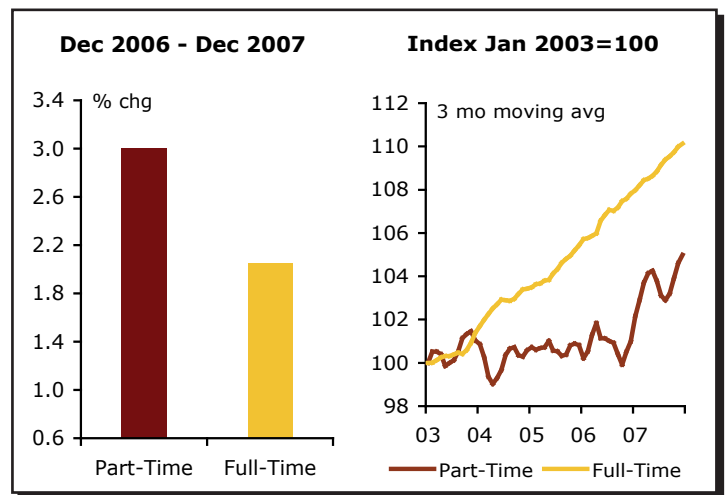


Chart 3
Self-Employed vs. Paid Employees

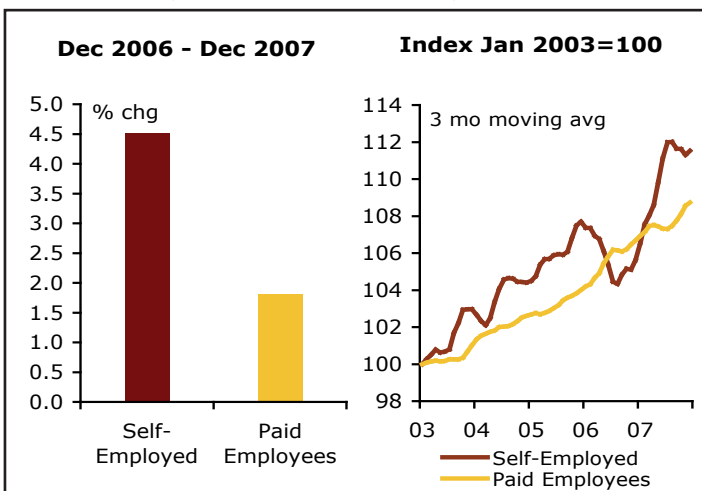
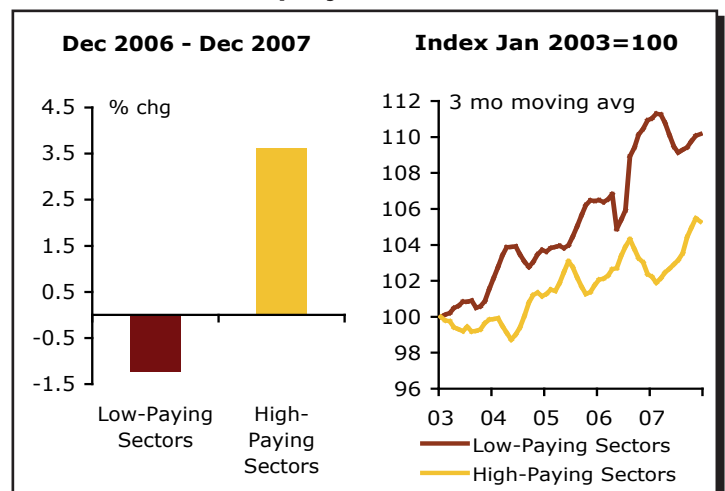


Chart 5
Full-Time Paid Employment



Looking ahead, the likelihood is that our measure of employment quality will lose some momentum in the first half of 2008. As was the case in any other economic slowdown, self-employment will rise faster than paid employment, ditto for part-time jobs. As for full-time paid employment, note that the strong showing of this indicator in 2007 was largely due to a surge in high-quality public sector jobs—which more than offset the loss of manufacturing jobs. It is unlikely that the public sector will continue hiring at the current rapid pace in the coming six months.

However, with the index currently at its highest level in more than 18 months, we expect the level of employment quality in Canada to remain elevated enough to support healthy income gains and further shield consumers from the chill coming from south of the border.

Chart 6
Employment Quality Index—By Province

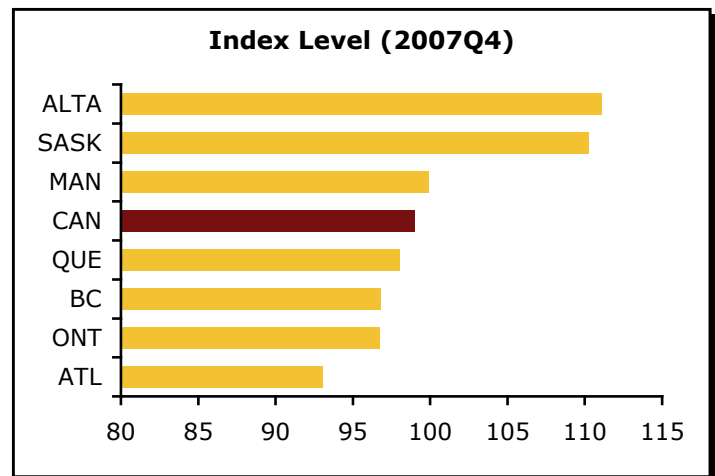
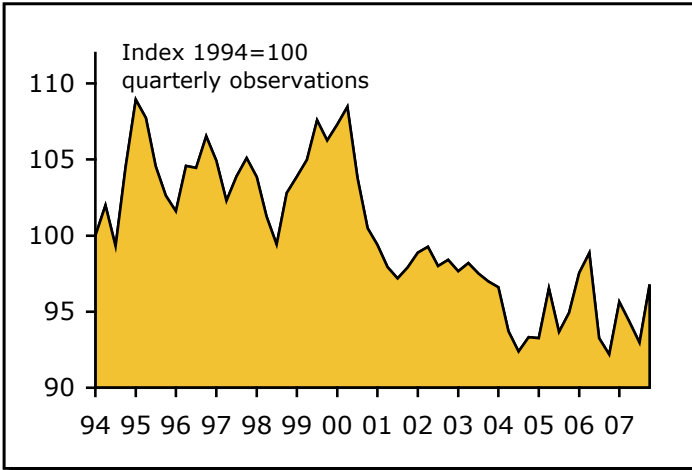


Table 1
Job Gains/Losses in Selected High and Low-Paying Sectors
(Dec 06–Dec 07)

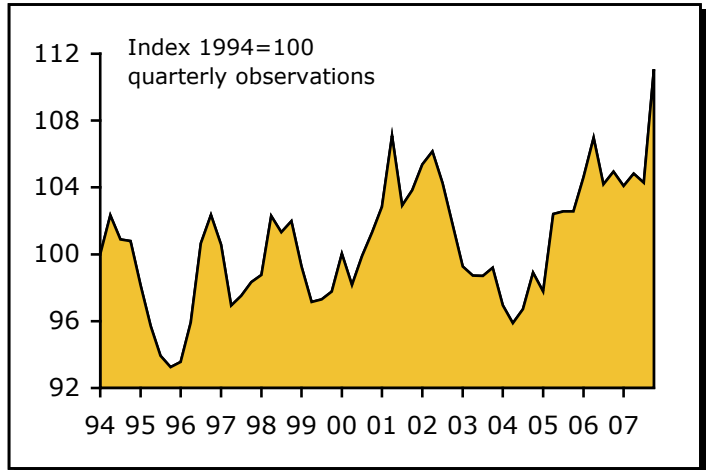
Low-Paying Sectors		High-Paying Sectors	
	% chg		% chg
General Merchandise Stores	-12.5	Public Administration	84.6
Textile Product Mills	-13.7	Internet Service Providers, Web Search Portals	35.6
Gasoline Stations	-16.2	Heritage Institutions	34.8
Real Estate	-16.3	Support Activities for Rail Transportation	32.9
Miscellaneous Manufacturing	-19.7	Non-Metallic Mineral Manufacturing	27.8
Wood Product Manufacturing	-21.7	Published Industries	23.5
Furniture and Related Manufacturing	-23.9	Performing Arts Spectator Sports	23.3
Crop Production	-27.9	Leather & Allied Product Manufacturing	22.9
Clothing Manufacturing	-29.3	Oil & Gas Extraction	22.5
Rental and Leasing Services	-98.1	Machinery Equip and Supplies Wholesaler Distr.	19.7

CIBCWM Employment Quality Index by Province

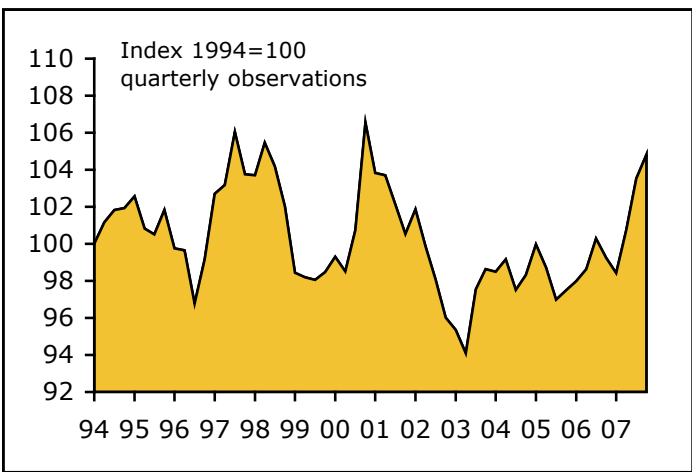
British Columbia



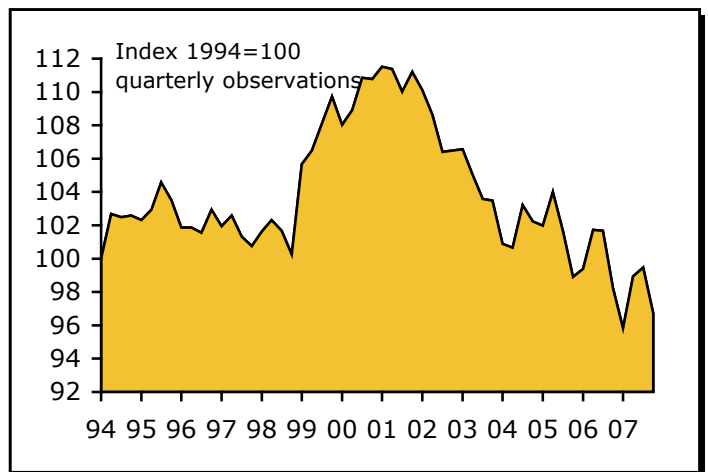
Alberta



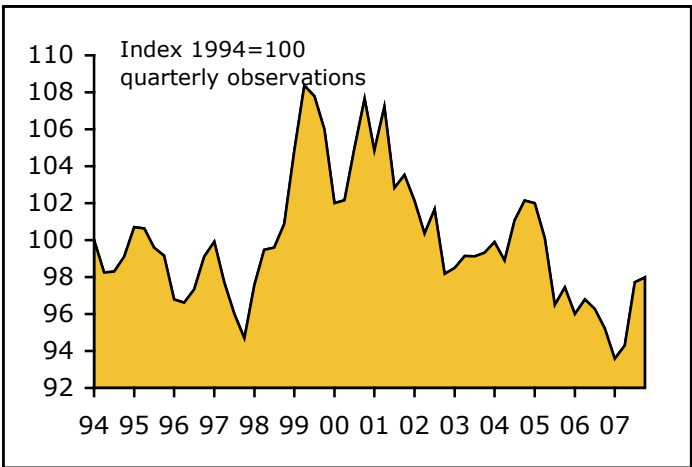
Manitoba/Saskatchewan



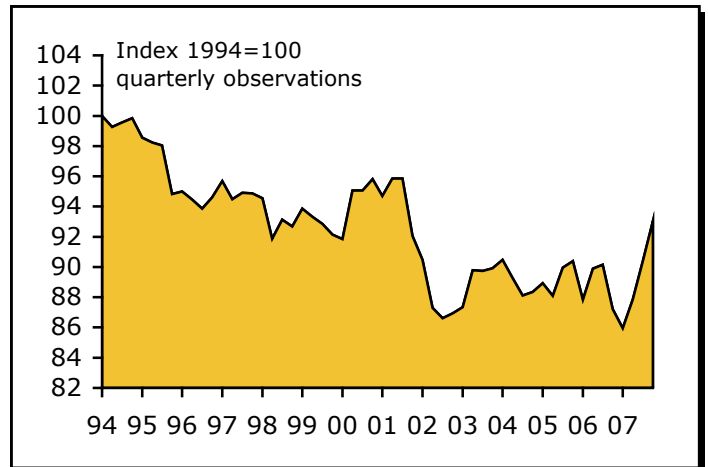
Ontario



Quebec



Atlantic



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