

A Closer Look at Employment in BC

Outside the major metropolitan areas, BC remains a resource-dependent economy, a fact highlighted by the recent global crisis. Yet, because BC has diversified its economy in recent years, many have been insulated from the shock to demand for our resource products. Thus, despite global economic turmoil, B.C. managed to post modest job growth throughout the summer and into the fall.

BC and Canada Unemployment Rates, 1985-1998 (%)

	1985	1987	1989	1991	1993	1995	1997	July '98	Aug '98	Sept '98	Oct '98
BC	14.2	12.0	9.1	10.0	9.7	9.0	8.7	9.1	8.6	8.3	8.0
Canada	10.5	9.2	7.5	10.4	11.2	9.5	9.2	8.4	8.3	8.3	8.1

Source: Statistics Canada

Measured on an annual basis, by October, 15,000 jobs were created thus far in 1998 over 1997, an increase of 1.0 per cent. October was the 10th consecutive month of job growth in B.C. **The 8.0 per cent unemployment rate posted in October was the lowest rate B.C. has seen since July 1990**, and in contrast to previous months, most of the gains were in full-time employment, and included job growth in goods producing industries such as manufacturing and construction.

Most jobs created have been in the tourism-related industries, aided by a low Canadian dollar. This growth in service sector employment is part of a broader underlying trend. 75 per cent of workers are now in the service sector, not goods producing industries. However, this diversification itself raises important core labour issues with regard to self-employment and part-time employment.

Unemployment and B.C.'s Resource Economy

The recent global crisis has caused a great deal of hardship in BC's resource-based communities. With nearly a third of the world's economies in recession, British Columbia's economy has been caught in the vortex. Asian demand for B.C.'s resource exports has plummeted, with total exports down 12 per cent in the first half of 1998. The recent collapse of the Russian ruble has made matters worse, as exporters there have flooded

the world market with cheap resource commodities, further depressing international prices.

The province clearly remains overly dependent on the export of

primary resource commodities, which are subject to tremendous fluctuations in demand and international prices. Regional variations in the unemployment rate point to the volatility caused by resource dependence. For example, unemployment in the Cariboo region, which is highly dependent on forestry, is averaging over 14 per cent in 1998, the highest level in BC. In contrast, unemployment in the Northeast region of BC, which, like Alberta, has a large oil and gas sector, is running at about 3.5 per cent.

In addition, natural resource-based industries tend to be highly capital intensive, and increasingly so as companies strive to be more "competitive". While natural resource industries produce the largest share of B.C.'s exports, they are not big employers. Last year, solid wood, pulp and paper, agriculture, fish, mineral, and energy products accounted for 82 per cent of the value of BC's exports. These same industries, however, together employed less than 8 per cent of the total provincial labour force.

Breaking away from resource dependence and developing an alternative industrial strategy that promotes full employment and sustainability remains an ongoing policy challenge.

The Other Economy: Services

One reason why ... *continued on page 2*

% Change in Employment, BC and Canada

	BC	Canada
1989	5.5	2.1
1990	2.5	0.6
1991	1.5	-1.9
1992	2.2	-0.6
1993	2.9	1.3
1994	4.0	2.1
1995	1.7	1.6
1996	2.5	1.2
1997	1.8	1.9
1998 ¹	1.0	2.6

1- year-to-date, as of October
Source: Statistics Canada

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The Other Side of the Alberta Advantage
by Seth Klein

B.C.'s unemployment rate continues to decline, even while the economy is experiencing a downturn in the three quarters of employment that is in the service sector. The "recession" (if B.C. is indeed in one) has been largely concentrated in the resource sector, which is capital intensive and has already laid-off many workers.

The service sector, in contrast, is increasingly diverse and growing. However, it has its own employment challenges. Two fundamental issues for services lie in the increasing percentages of employment that come in the form of part-time work and in self-employment.

Self-employment

Most of the job growth in the 1990's has been in the form of self-employment. Across Canada, the number of self-employed workers as a share of all workers has increased from 9 per cent in 1990 to 11 per cent today. Between 1990 and 1997, the number of self-employed individuals rose by 31.7 per cent, while the number of paid employees climbed by just 1.6 per cent. In fact, east of the Manitoba border, there was a net decline in the number of paid employees. In British Columbia, self-employment increased by an astounding 49.4 per cent while the number of paid employees rose by 11.5 per cent.

Self-employment conjures up different images for different people. One story views self-employed people as entrepreneurial risk-takers, adding value through innovative activities. They are

Growth in employment by type, 1990-1997 (% change)

	Employees	Self-Employed
Canada	1.6	31.7
Atlantic	-2.2	20.8
Quebec	-0.6	25.7
Ontario	-1.3	36.6
Manitoba	1.6	15.5
SK	4.9	-0.6
Alberta	9.0	38.0
BC	11.5	49.4

Source: BC Stats, Labour Force Statistics, August 1998.

B.C. Employment by Industry, 1997

Industry	Number of Employees	% of Total Employment
Retail and Wholesale Trade	323,000	17.6
Other business services ¹	245,000	13.3
Tourism-related	235,000	12.8
Health and Welfare	193,000	10.5
Manufacturing	178,000	9.7
Construction	129,000	7.0
Education	129,000	7.0
Finance, Insurance & Real Estate	106,000	5.8
Transportation, communication and utilities ¹	98,000	5.3
Public administration	91,000	5.0
Primary (excl. forestry)	57,000	3.1
Materials handling	56,000	3.0
Forestry, paper and allied	53,000	2.9
Agriculture	33,000	1.8
Other industries	41,000	2.2
All industries	1,838,000	100.0 ²

Notes: 1- Total employment figures for these industries have had the tourism-related component removed.

2- Total may not add up exactly to 100 due to rounding

Source: Adapted from BC Stats, Business Indicators, April 1998.

part of the "knowledge-based economy", are nimble and quick to take advantage of opportunities in the marketplace.

Another story is of many self-employed workers doing similar work to what they did before, but on a contract basis. This second story is one of increased insecurity and lower pay. In the new economy, employers are demanding more flexible work arrangements. Contract workers fill this gap, do not receive employee benefits and thus, save money for larger companies.

A look at the evidence suggests the latter story to be more accurate. Nearly 90 per cent of the recent growth in self-employment in Canada was in individuals who work alone on a contract basis. By contrast, 66 per cent of self-employed individuals in the 1980's set up businesses that employed others.

Self-employed individuals working alone are more likely to have few alternative employment opportunities. Thus, a substantial part of the increase in self-employment in the 1990's may actually represent a form of "hidden unemploy-

ment." Indeed, in 1995, Statistics Canada found that 12 per cent of self-employed individuals said their main reason for being self-employed was an inability to find other work.

Looking at other nations, there is nothing inevitable about this shift to more self-employment. It seems to be a peculiar feature of Canada's labour market. In the United States, the self-employment rate has remained between 8 and 8.5 per cent for the last two decades. Self-employment has fallen in France and in Germany, but increased in the United Kingdom. There is no consistent evidence, therefore, of a structural shift toward greater self-employment.

Part-time employment rising

Part-time employment has also been rising in recent years. According to Statistics Canada, part-time employment

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The Other Side of the Alberta Advantage

by Seth Klein, Director, CCPA – BC Office

[The following is an excerpt from a forthcoming CCPA publication entitled *A Tale of Two Provinces: A Study of Economic and Social Conditions in BC and Alberta.*]

Alberta and British Columbia are regularly compared and contrasted. Too often, however, these comparisons are based upon a very narrow set of economic criteria.

For many Albertans, the so-called Alberta Advantage is an illusion. What most people save in taxes, they lose in reduced public services and growing out-of-pocket expenses. While Albertans currently enjoy a lower unemployment rate, their wages and earnings tend to be lower, the realities of unemployment harsher, poverty persistent and deep, and the gains of growth unevenly distributed.

For all but the very wealthiest people, the difference between total taxes levied in Alberta and those in BC are minimal. When all direct taxes are considered — income taxes, property taxes, sales taxes, payroll taxes, etc. — the total tax bill in BC tends to be between \$400 and \$900 more than in Alberta, but lower than in all other provinces (which tend to have higher property and payroll taxes).

Too often, tax cuts are portrayed as a straight gain for taxpayers. But this is almost never the case.

Along with tax cuts come decisions to cut services, and a reduced capacity to care for one another and pursue our aspirations collectively. This has been the experience of both BC and Alberta, but much more dramatically in Alberta.

Health spending

According to figures compiled by the Canadian Institute for Health Information, BC has seen a steady increase in health care

spending, and currently ranks first among the provinces with respect to public health care spending per capita. Alberta, in contrast, now ranks last among the provinces in per capita health expenditures. BC's public health expenditures have been rising in tandem with population growth, while Alberta's per capita public health spending dropped precipitously between 1992 and 1996. Prior to 1992, Alberta's per capita public health spending out-stripped BC's. By 1997, however, BC was spending \$367 more per person. While Alberta has increased health care spending slightly in recent years, its spending per capita continues to fall.

While public spending on health care has been declining in Alberta, private health care expenditures are rising. This is in sharp contrast to BC, where per capita private health expenditures have been flat since 1993. In 1992, Albertans were spending \$75 less per person on private health care expenditures than British Columbians; by 1997, however, Albertans were spending \$45 more. The evidence seems to point to the fact that, as public support for health care is withdrawn, individuals, families and employers end up paying more for health care in the private sector.

Education spending

The gap between the provinces is also widening with respect to education funding. Back in the mid-1980's, Alberta spent more per pupil on k-12 education than BC. By the early 1990's, however, this trend was reversed. BC now spends over \$1,100 more per pupil than Alberta. There is little excuse for Alberta's failure to put more resources into the public education system. On the basis of GDP per capita, Alberta has a greater capacity to pay for public education than BC.

Similar disparities exist with respect to post-secondary education. Alberta has cut spending on post-secondary education sharply since 1993-94. BC increased its per capita spending (in current dollars) on post-secondary education by over 8 per cent between 1991-92 and 1995-96, while per capita spending in Alberta fell by over 20 per cent, and by over 5 per cent in Canada as a whole. In 1995-96, BC spent about \$367 per capita

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Indicator	Alberta	BC
Public Health Care Expenditures Per Capita, 1997 (estimate) (1)	\$1,587	\$1,954
Private Health Care Expenditures Per Capita, 1997 (estimate) (1)	\$729	\$685
Public Education Spending Per Pupil (K-12), 1997-98 (estimate) (2)	\$6,235	\$7,361
Public Post-Secondary Spending Per Capita, 1995-96 (3)	\$320	\$367
Average University Tuition, Undergraduate Arts and Science Program, 1997-98 (4)	\$3,102	\$2,308
Government Revenues from Lotteries and Gambling Per Capita, 1996-97 (5)	\$219	\$68
Average Hourly Wage, 1997 (6)	\$14.76	\$16.95
Average Weekly Earnings, 1997 (6)	\$562	\$614

Sources:

- (1) Canadian Institute for Health Information.
- (2) Canadian Teachers' Federation, derived from Statistics Canada data (includes operating and capital spending).
- (3) Statistics Canada, Public Accounts, Financial Management System.
- (4) Calculated based on tuition fees listed in Maclean's Magazine (Nov. 24, 1997).
- (5) Statistics Canada, Public Accounts, Financial Management System.
- (6) Statistics Canada, Catalogue # 72-002 and # 72-005.

a year on post-secondary education, compared to \$320 in Alberta and \$351 in Canada as a whole.

BC has been unique among the provinces with respect to the expansion of post-secondary institutions and programs during the 1990's. BC has witnessed the opening of two new public universities: the University of Northern BC in Prince George, and Royal Rhodes in Victoria. The province has substantially expanded its colleges and institutes, including new capital projects, new degree-granting university college programs, two First Nations institutes, and increased tuition-free access to literacy and adult basic education programs. The result has been significant growth in the choices, diversity and accessibility of post-secondary programs available to British Columbians.

The post-secondary system in Alberta has not experienced nearly as much growth. According to Statistics Canada,

between 1992-93 and 1997-98, full-time post-secondary enrollment rose by 5 per cent in Alberta, compared to 16 per cent in BC.

Tuition fees reflect the trends in government support. In BC, tuition fees have been frozen for the past three years. In 1997-98, average university tuition in BC was \$2,308 per year. In Alberta, tuition fees have been rising (by 8 per cent last year alone), and averaged \$3,102 per year in 1997-98.

What You Save in Taxes, You Pay For Out of Pocket and in Reduced Services

The rise in private health care expenditures, rising tuition fees, new user fees for once public services — all these highlight the fact that while Albertans may pay somewhat less in taxes, for most people, these savings are lost to new out-of-pocket expenditures.

For example, a two-income family of

four with an annual income of \$90,000 pays total taxes of \$25,523 in BC and \$24,693 in Alberta — a difference of \$830. If this hypothetical family is attempting to put one child through university, however, they will pay approximately \$800 more in tuition in Alberta than in BC, and that differential is growing quickly. If the increase in spending on private health care expenditures and other new user fees are factored in, the tax savings is wiped out — so much for the Alberta Advantage.

This point is even more pronounced for a low-income family of four earning \$30,000 per year. For this family — which pays \$564 more in taxes in BC than in Alberta — the lower tuition cost outstrips the tax savings by \$230, quite apart from issues of post-secondary accessibility.

These are important issues when considering real differences in personal income and well-being.

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in BC increased by 21.8 per cent from 1992 to 1997, while full-time rose only 11.5 per cent. Currently, 1 in 5 workers (20.9 per cent) in the province are employed part-time, slightly higher than the national average of 19 per cent. Nearly 69 per cent of all part-time workers in BC are women.

Younger workers 15 to 24 years of age are far more likely to work part-time than persons over 25. The part-time employment rate for youth in BC is over 47 per cent, compared to 9 per cent for adult men and 28 per cent for women over 25.

As with self-employment, the increase in part-time jobs represents a form of "hidden unemployment." This is because of the increase in the number of part-time workers who want, but are unable to find, full-time employment. In 1995, Statistics Canada's Survey of Work Arrangements found that 28 per cent of part-time workers in BC reported it was the only work they could get.

The Employment Challenge

For BC, there are a number of broad challenges on the employment front. A key element is to continue to diversify and reduce our dependence on primary resource commodities. A second is ensuring that new jobs in the service sector are an adequate replacement.

Diversification is a challenge for other provinces as well. In October, Alberta saw its unemployment rate increase to 6.4 per

cent, a full percentage point higher than two months ago. This reflects Alberta's own dependence on oil exports for growth, and is a possible indication that lower international oil prices are behind a slowdown there as well.

Overall, the 1990's have been a period of very weak employment growth in Canada as a result of high interest rates, free trade, public sector lay-offs, and government spending cuts. While governments have increasingly turned to the private sector to create jobs, the results have been dismal.

British Columbia has lived with high unemployment since the early 1980's. Indeed, it was not until 1989 that the province's unemployment rate emerged from the double-digits. Over the 1990's, up to the current global crisis, British Columbia out-performed the rest of the country in terms of job growth. Now, in the midst of an economic slowdown, an ambitious approach on the part of government is needed. In particular, the government should use its spending powers to stimulate employment growth.

BC Commentary

is produced by the BC Office
of the Canadian Centre for
Policy Alternatives.

Editor: David Robinson

Layout: Shannon Daub

CCPA-BC

815-207 West Hastings Street
Vancouver BC, V5B 1H6

Tel: (604) 801-5121

Fax: (604) 801-5122

www.policyalternatives.ca

Email: ccpabc@intouch.bc.ca

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