
Labour Market Trends

Presentation to the Service Delivery Advisory Group

October 21, 2011

Purpose

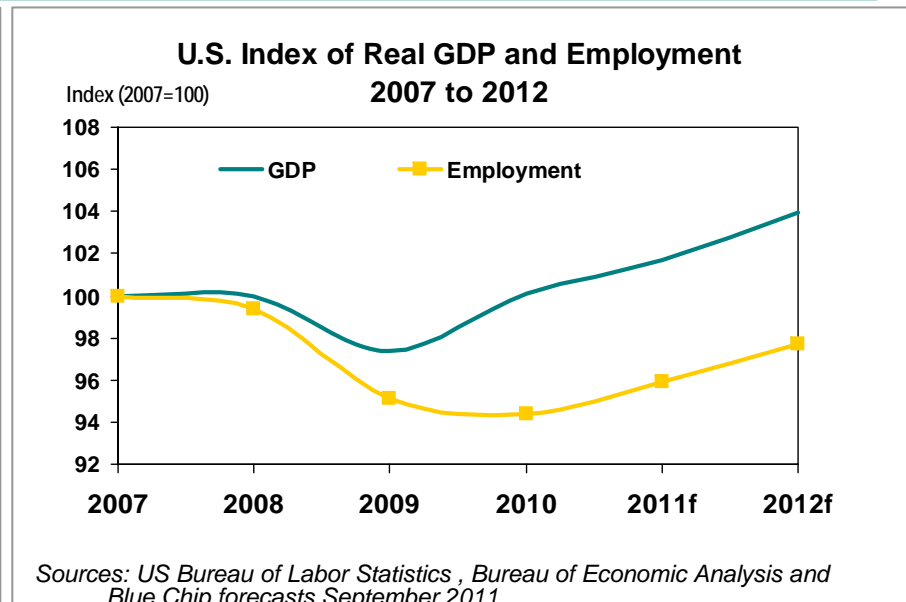
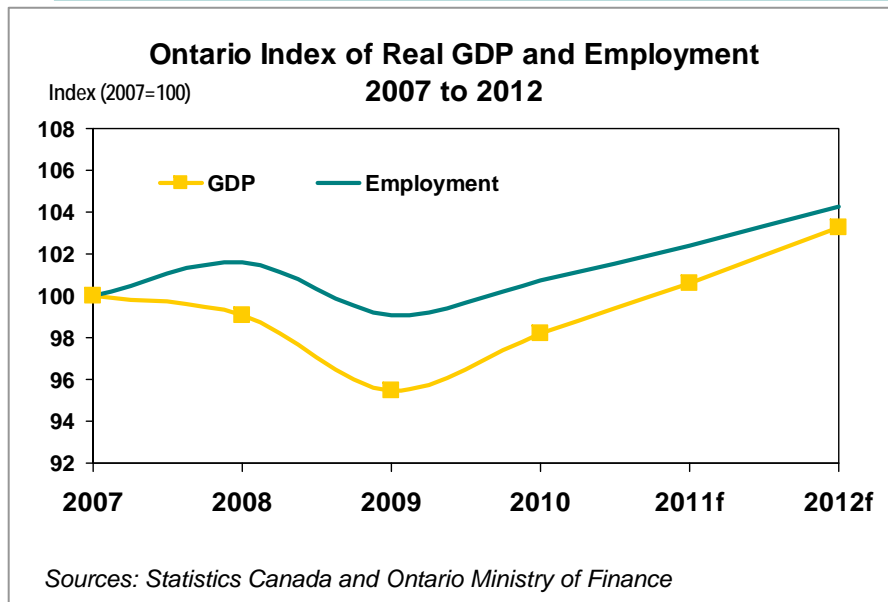
- Provide analysis of the recent economic recovery in Ontario and the United States, and identify risks.
- Highlight recent labour market developments and implications for Ontario.
- Identify the labour market performance of struggling groups, including:
 - Youth;
 - Aboriginals;
 - Recent immigrants; and
 - Unemployed older workers.
- Highlight ongoing, structural challenges.

Highlights

- Ontario's Real Gross Domestic Product (GDP) has increased 5.6% over the past 7 quarters. Looking forward, there is downside risk to Ontario's economic outlook.
- Employment in Ontario has been trending higher since June 2009 and surpassed its September 2008 peak in April 2011 (+0.9% or 61,000).
 - Since the recessionary low in May 2009, employment has risen by 305,500 (+4.7%) net jobs.
- Employment gains since the recession have been felt unevenly across Ontario.
 - Job gains have varied by region, with the central region showing the most significant employment growth.
 - Teenagers, Aboriginals and recent immigrants were hit harder than other groups.
 - Those with PSE credentials were more resilient and face lower unemployment rates.
 - Restructuring in the manufacturing sector limits medium- and long-term employment prospects in that sector.
- Job growth has been sluggish in recent months.
- Demographics analysis revealed that Ontario's workforce is fairly close to a demographic balance with the trades being slightly less in balance than the non-trades.
 - For this purpose demographic balance is estimated using number of recent entrants divided by number aged 50 years and older (i.e. those aged 25-34 / those 50+).
- Widespread labour shortage not expected over the next ten years, but some sectors may face pressure.

Economic Recovery and Outlook

Real GDP and Employment: Ontario and U.S. Comparison

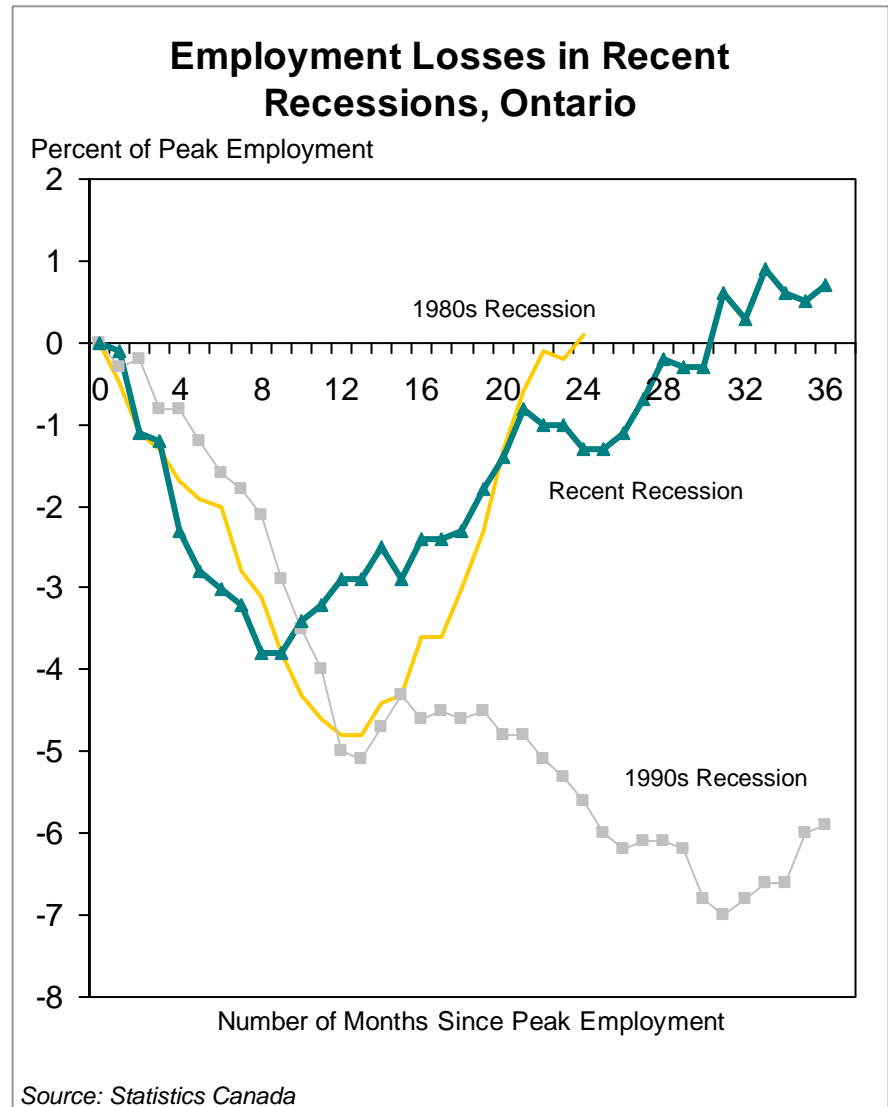


- Ontario's employment and output (GDP) recovered simultaneously, unlike previous recoveries where employment typically lagged GDP growth by 3 to 5 quarters.
 - Real GDP has increased 5.6% over the past 7 quarters since the recession ended, and has surpassed the pre-recession 2008Q2 level by 0.3%.
- In contrast, the U.S. appears to be experiencing a “jobless recovery”. Growth in employment continues to lag real GDP growth.

Recession and Recovery Trends

Ontario Recession Comparison

- The recent downturn in Ontario was more dramatic, but less severe, than the previous two recessions.
 - Employment fell faster – down 3.8% in eight months.
 - Recovery began earlier - within nine months (June 2009).
 - It took 31 months for employment to surpass its pre-recession peak (April 2011).
- Previous recessions saw deeper job losses over longer periods, but recovery times varied.
 - 1980s: Employment down 4.8% over 12 months; full recovery in 24 months.
 - 1990s: Employment dropped 7.0% below peak within 31 months; full recovery in 88 months.



The Current Downturn: Canada, Ontario, U.S. Comparison

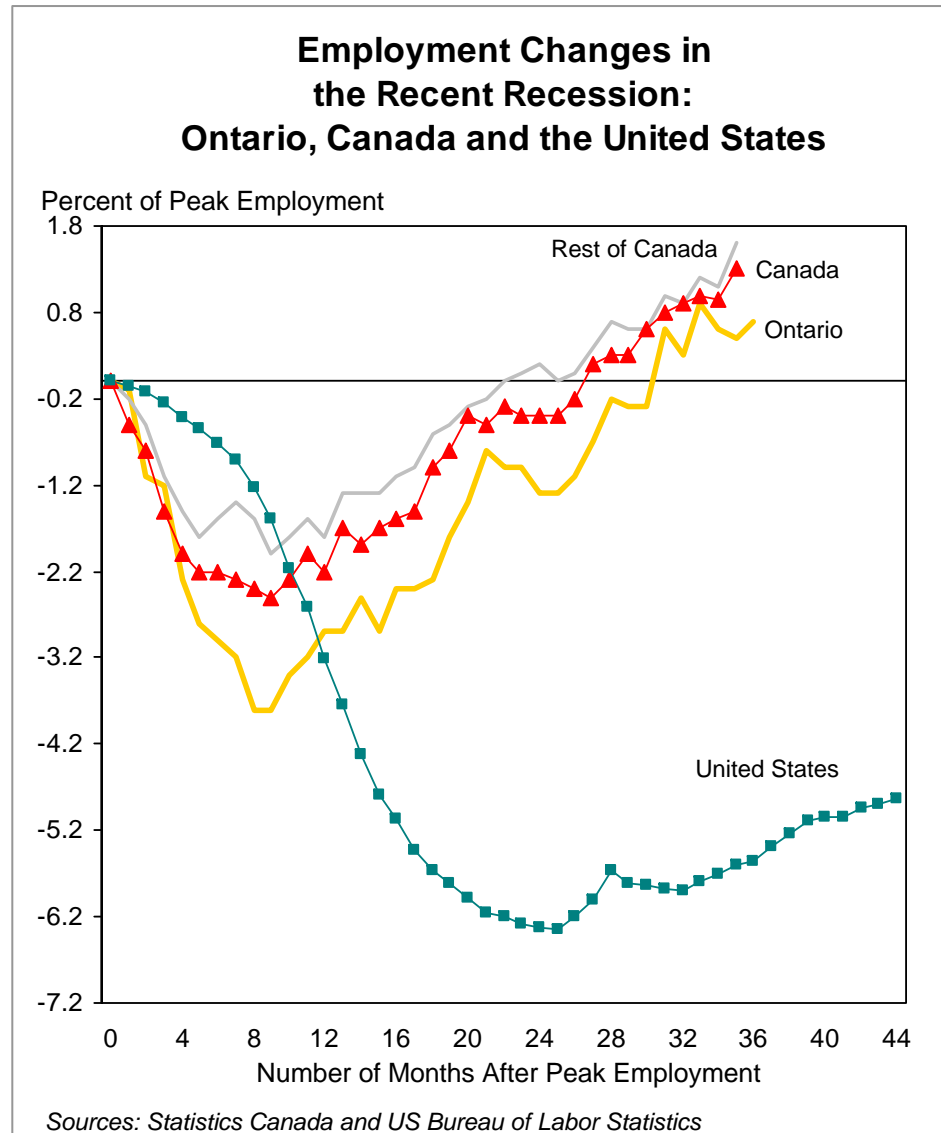
U.S. downturn started earlier and was more severe compared to Canada and Ontario.

United States:

- The longest and deepest recession of the post-World War II era.
- After 44 months, U.S. employment remains 4.8% below its January 2008 peak as of September 2011.
- Recent labour market data remains discouraging with continued weak employment growth.

Canada:

- Employment began to decline in November 2008.
- Employment surpassed its previous peak level in January 2011 (27 months).

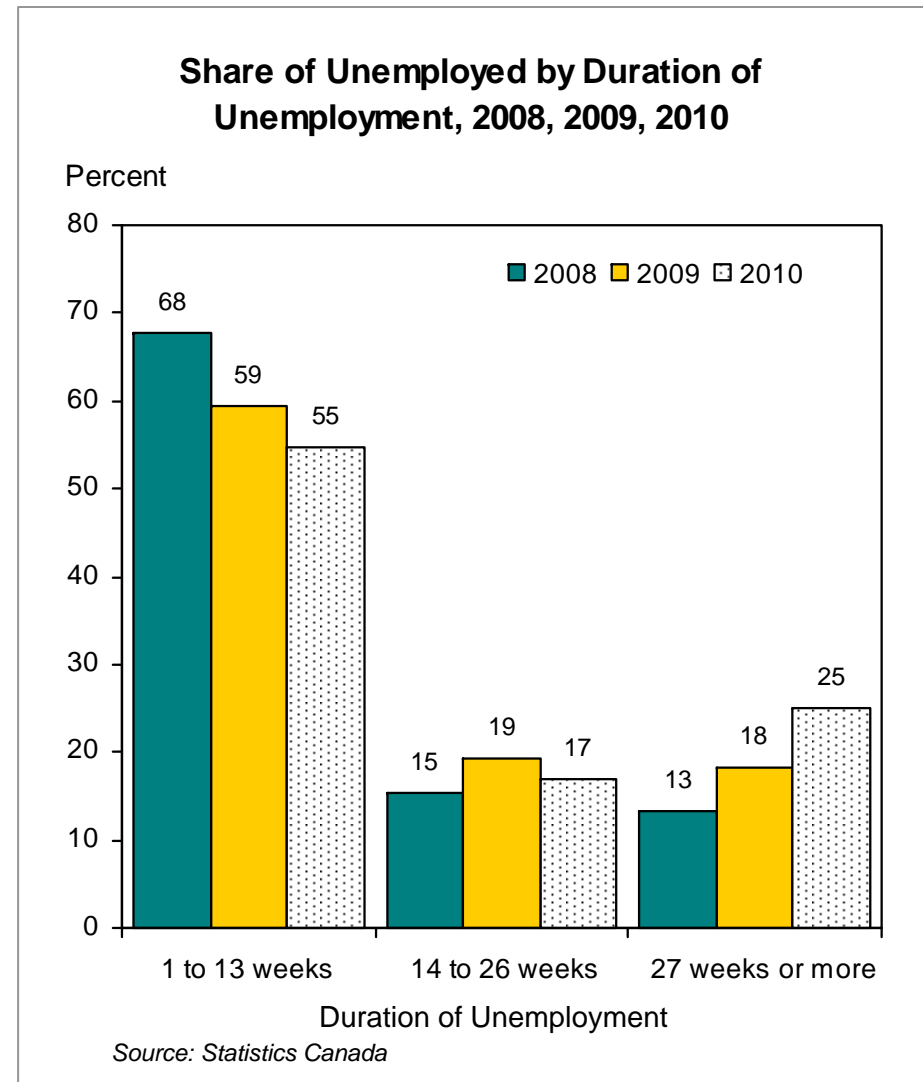


Recovery Is Uneven Across Ontario

- The downturn and employment recovery has been uneven across regions in Ontario.
- Employment losses between September 2008 and May 2009 were concentrated in the Central and Western regions, with the Eastern region not as severely affected.
- Ontario's regions are experiencing the economic recovery at different paces.
 - Recovery has been stronger in the Central Region, the only region to post job growth over the 2008-2010 period.
 - In contrast, employment was down by 2.9% in the Western Region and 3.7% in the Northern Region over the same period.
- Compared to 2009, jobless rates are lower in all regions in Ontario except the Eastern Region.
 - However, compared to 2008, unemployment rates remain higher in all four regions.
- Long-term unemployment was high in every region in Ontario in 2010.
 - Long-term unemployment was highest in the Western Region with 27% unemployed for 27 weeks or more.
 - Since 2008, the average number of weeks unemployed has risen in every region in Ontario. In 2010, it was the highest in the Western Region (23.4 weeks), above the Ontario average of 22.1 weeks.

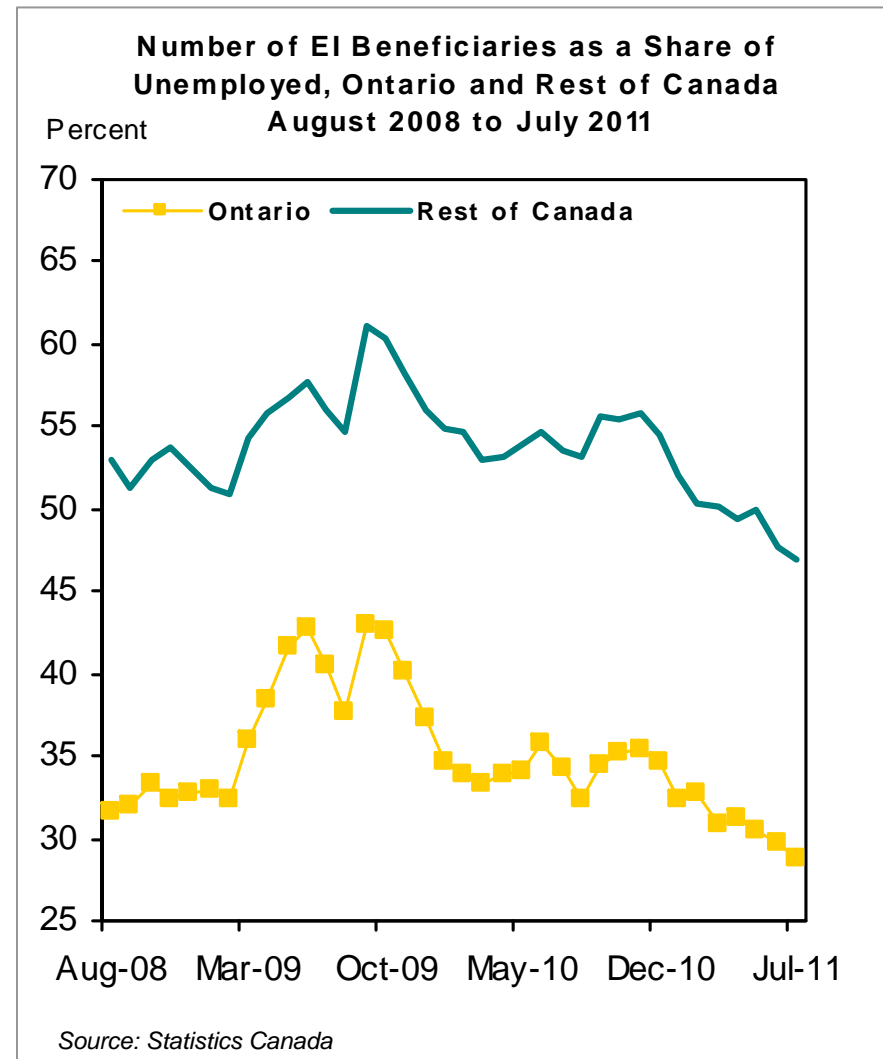
Share of Long-term Unemployment Remains High

- In 2010, 25% of unemployed individuals were classified as long-term unemployed (27 weeks or more), compared with a much lower share of 18% in 2009 and 13% in 2008.
- Over the first nine months of 2011, the share of long term unemployed was 23%, down 2 percentage points compared to the same period last year.
- The share of Ontario's unemployed who have been without work for 27 weeks or more was the highest in Canada in 2010, well above the national average of 21%.
- After the 1981-82 and 1990-91 recessions, it took at least 4 years for the average duration of unemployment to return to pre-recession levels after it peaked.



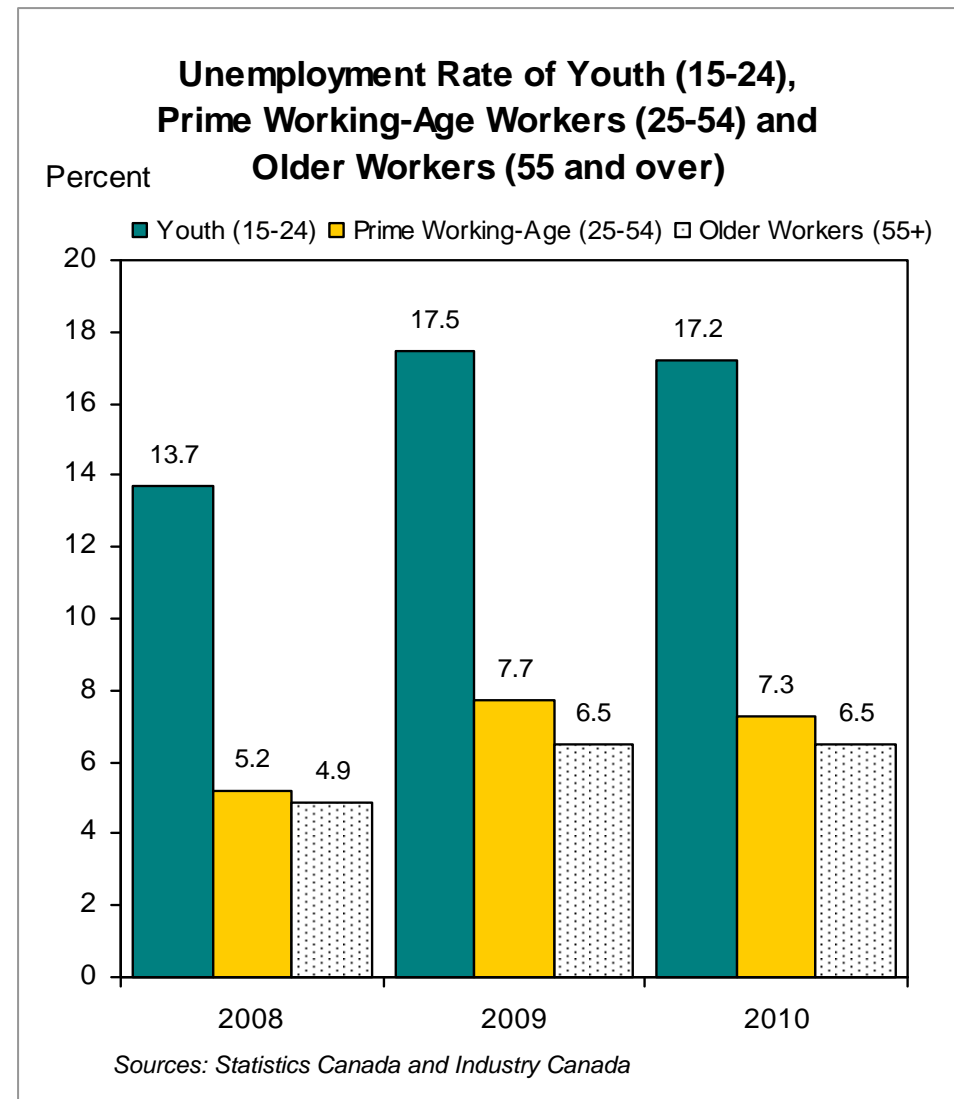
High Levels of Employment Insurance (EI) but Declining

- Compared to the rest of Canada, Ontario still has a lower share of its unemployed who are in receipt of Employment Insurance (EI) benefits.
- The number of Ontarians receiving regular EI benefits as a percentage of the total unemployed was 28.8% in July 2011. In comparison, it was 47.1% in the rest of Canada.
- Between September 2008 and June 2009, the average number of regular EI beneficiaries in Ontario increased by 138,280 (93%).
- Since June 2009, the number of regular EI beneficiaries have declined by 44.7%, dropping more sharply than in the Rest of Canada.
 - In July 2011, Ontario had 40.7% of Canada's total unemployed workers, but only 29.6% of Canada's total EI beneficiaries.



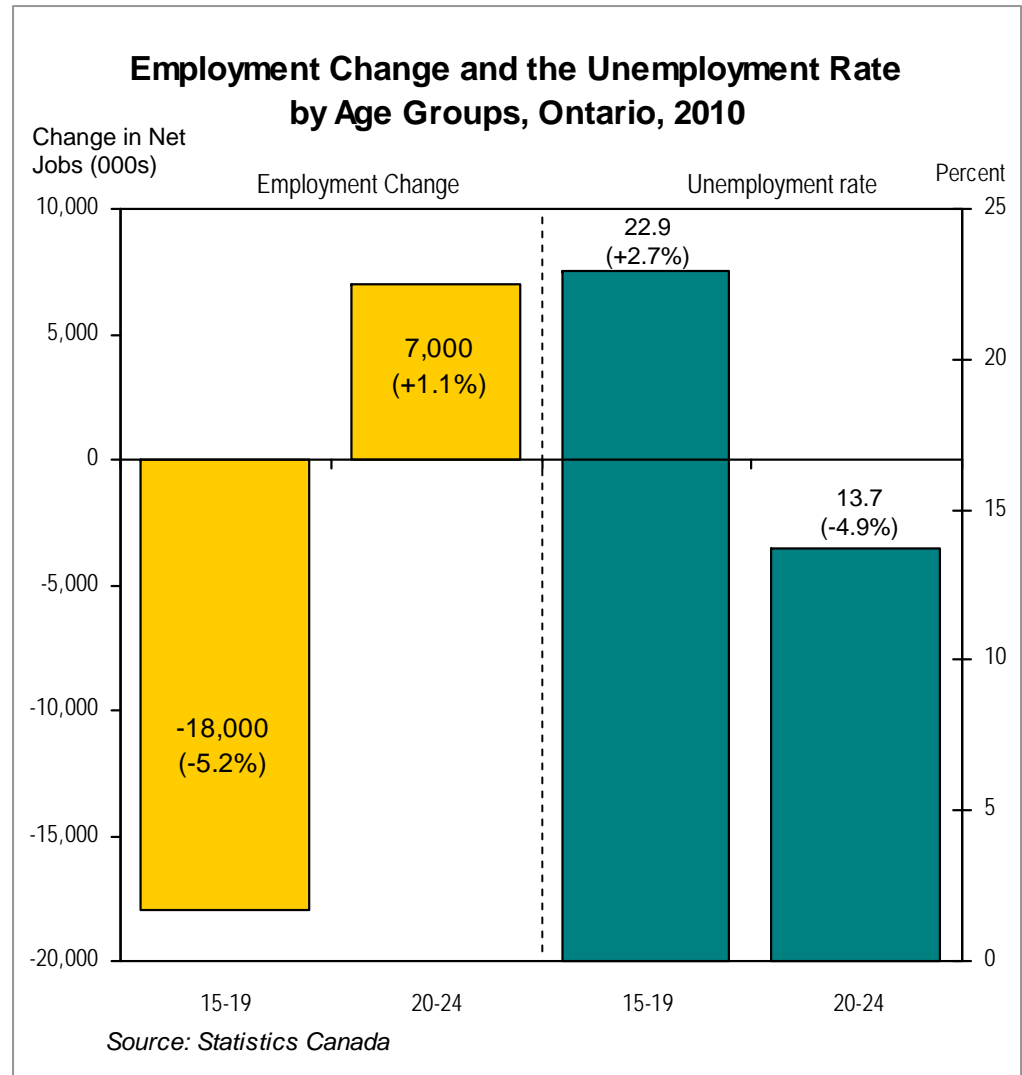
High Unemployment Rates among Youth

- Ontario's youth have a much higher unemployment rate (17.2% in 2010) when compared to prime working-age and older workers.
 - Over the first nine months of 2011, the youth jobless rate averaged 16.2%.
- In 2010 Ontario youth had the second highest unemployment rate in Canada after Newfoundland (21.4%).
- Among the prime working-age workers, the unemployment rate was highest for those aged 25 to 29 (9.1% in 2010).
- In contrast, prime-aged workers between 50 and 54 had the lowest unemployment rates (6.1% in 2010).



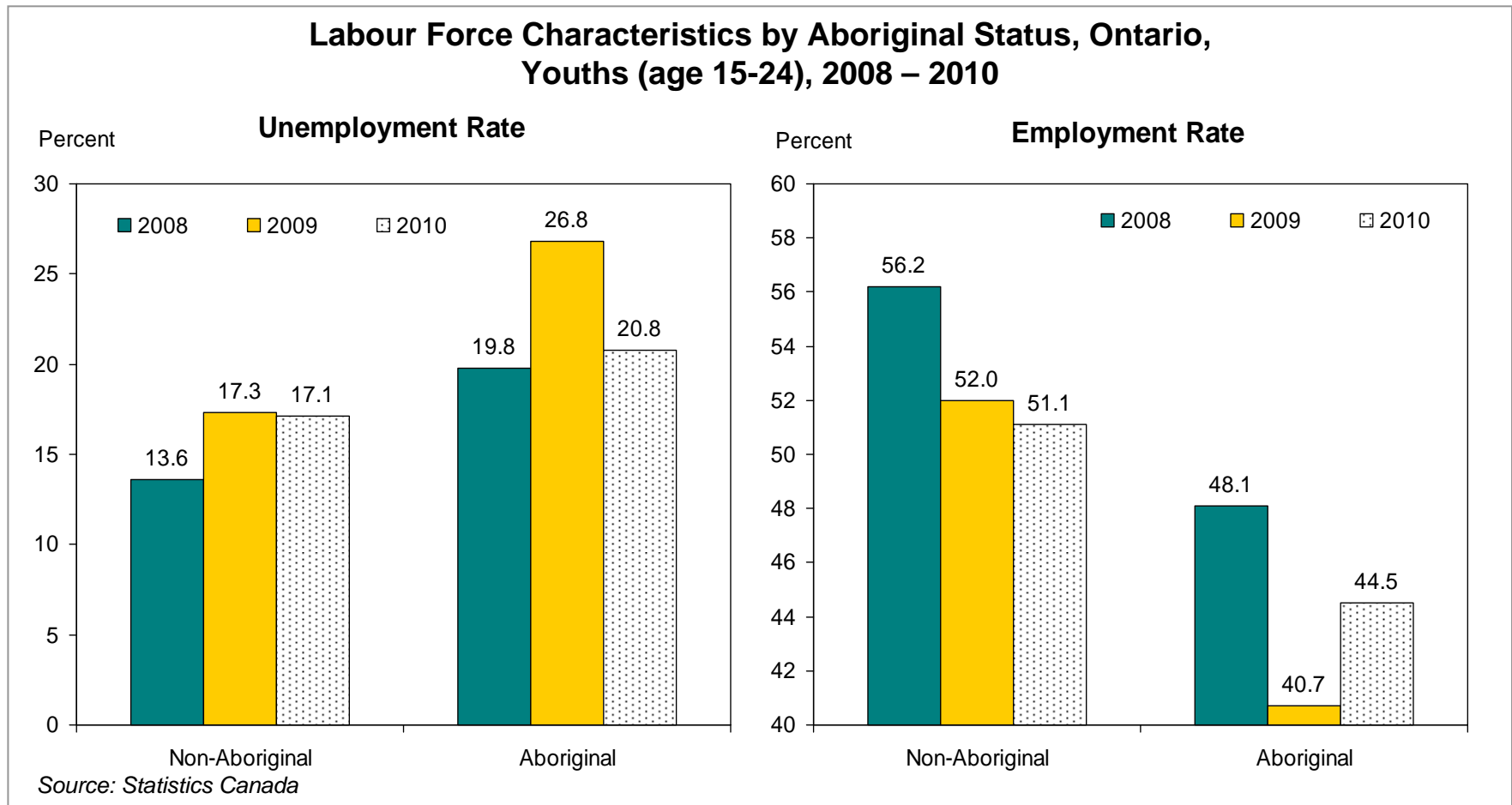
Distinct Labour Market Experiences among Youth

- Ontario's youth were hard hit by the recession.
- Between 2008 and 2010, the total job loss among youth was 81,000 (down 8.2%).
- However, the labour market experiences of teenagers (aged 15 to 19) and older youth (aged 20 to 24) are quite distinct.
 - While teenage employment continues to fall, prospects are improving for older youth.
- So far in 2011, youth employment (939,300) remains below its pre-recessionary level.



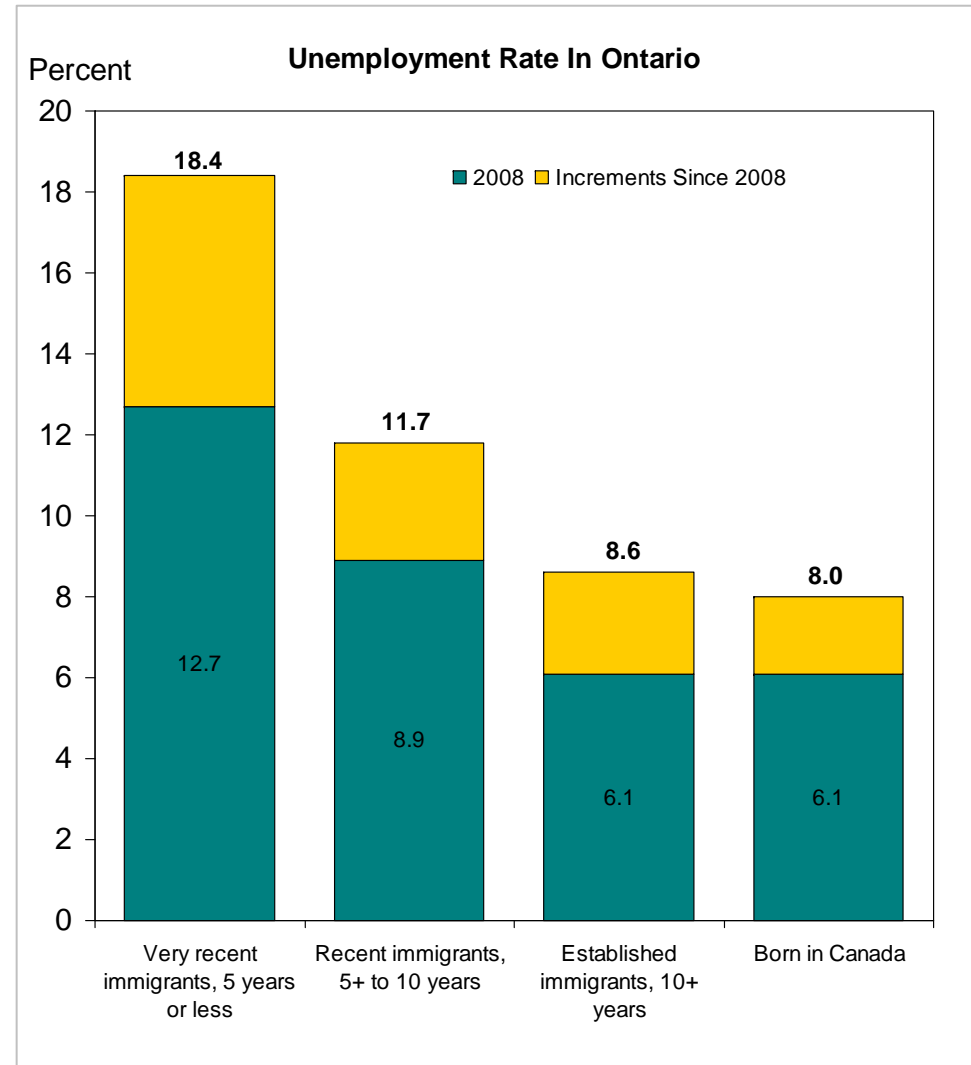
Aboriginal Youth Were Hardest Hit by the Downturn

- Aboriginal youth consistently have higher jobless rates and lower employment rates than their non-aboriginal counterparts.
- They were also more severely affected by the economic downturn compared to non-aboriginal youth.



Very Recent Immigrants Struggling During the Recession

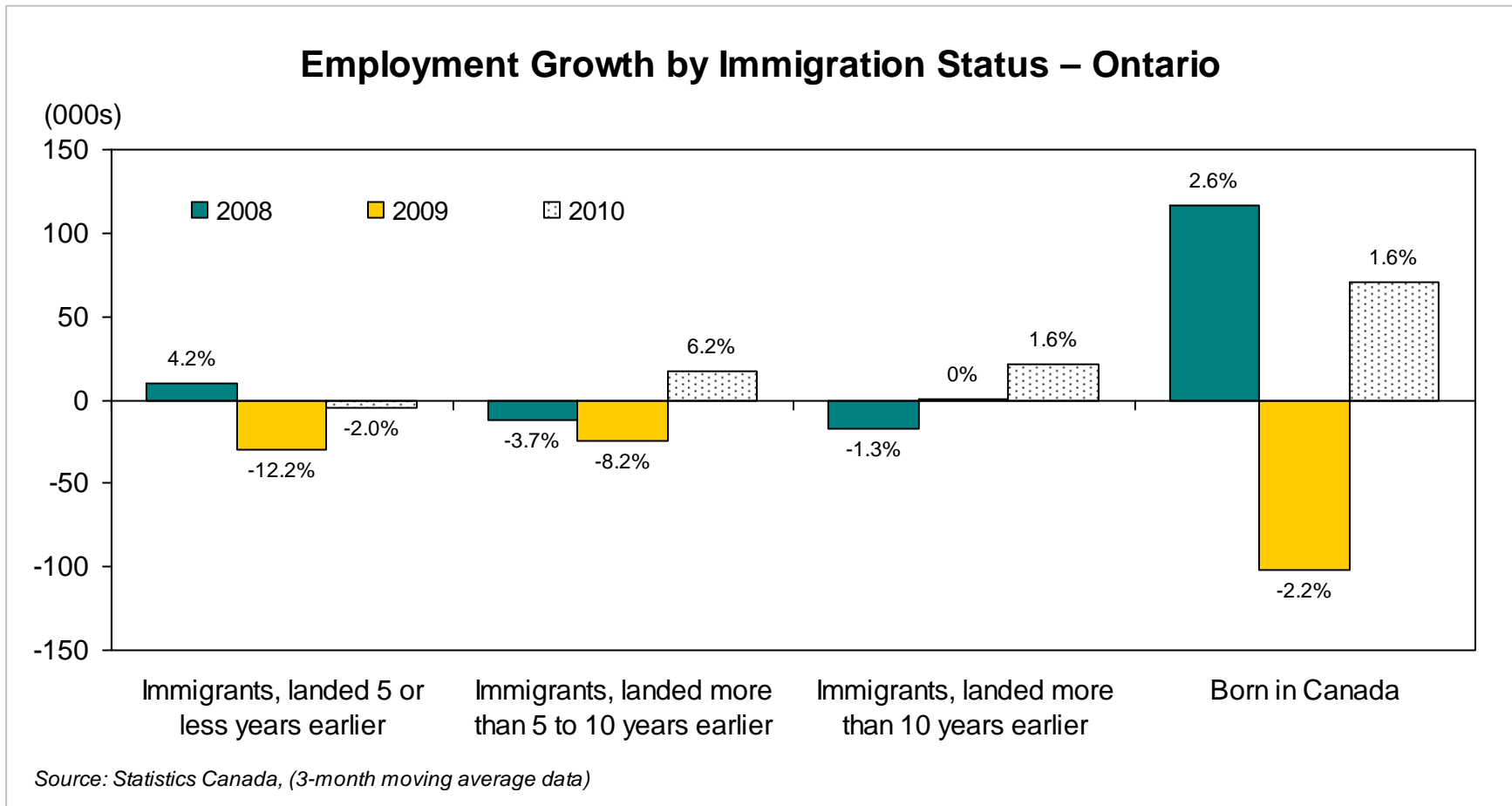
- Despite high levels of educational attainment, immigrants have fared less well in the labour market compared to their Canadian-born counterparts.
- Between 2008 and 2010, the unemployment rate for very recent immigrants rose from 12.7% to 18.4%, up 5.7 percentage points versus a 1.9 percentage point increase in the unemployment rate for the Canadian-born
- In 2010, about 30% of landed immigrants were unemployed on a long-term basis (27 weeks or more) compared to 23% for the Canadian-born



Source: Statistics Canada

Very Recent Immigrants Continue to Struggle

- Immigrants experienced smaller employment gains and lower employment rates during the recovery than the Canadian-born. This trend has continued into 2011.
- Over the January to September period, very recent immigrants (those landed 5 years or less) lost 6,000 jobs while the Canadian-born gained 86,000 jobs.



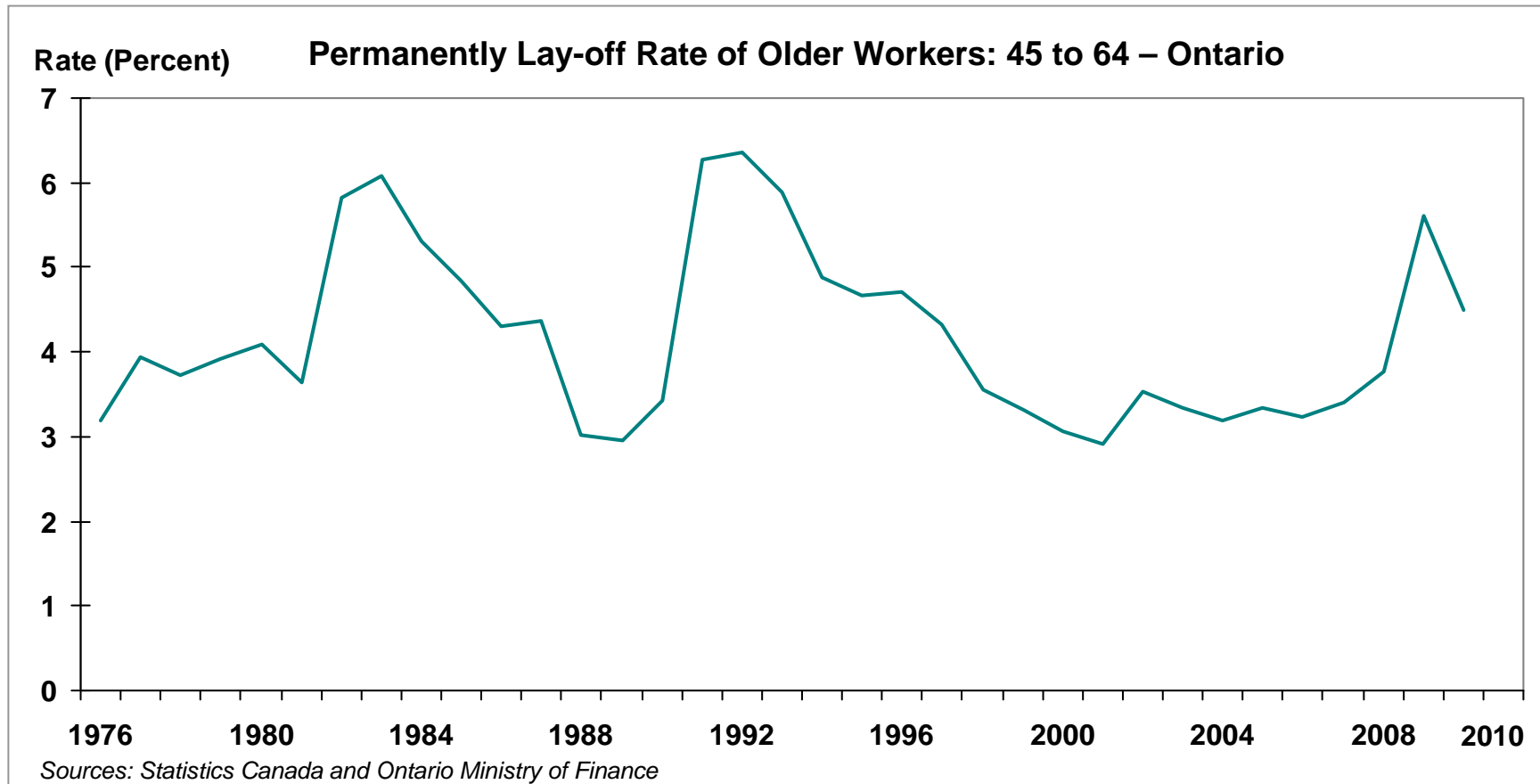
Older Laid-off Workers at Risk

- Older workers (45 to 64) are doing well on a number of indicators of economic performance, including job growth of 77,000 and recording a participation rate of 76.3% in 2010, the highest on record.
- However, those who are permanently laid off face sizeable obstacles to re-employment, owing to long job tenure and specific skills. Older workers face the prospect of re-employment with considerable loss of earnings or early retirement.
- A recent Canadian study which examined the labour market choices and incomes of long-tenured workers in the five years following a layoff showed that those laid off older workers who manage to find new jobs lose about 40% of their earnings, relative to their previous job.
- The study also showed that about one-quarter of those 45 to 59 relied on pensions as their primary source of income and in that sense can be thought of as retired. About 70% of those 60 to 64 rely on pension incomes.

Sources: Statistics Canada and Ontario Ministry of Finance

Permanent Layoff Rate for Older Workers Rises

- The permanent layoff rate of older workers (45 to 64) has generally been trending higher since 2004.
- The rate rose to 5.6% in 2009, a 16-year high, before dropping to 4.5% in 2010.
 - Number of permanently laid-off older workers rose 20% between 2008 and 2010.



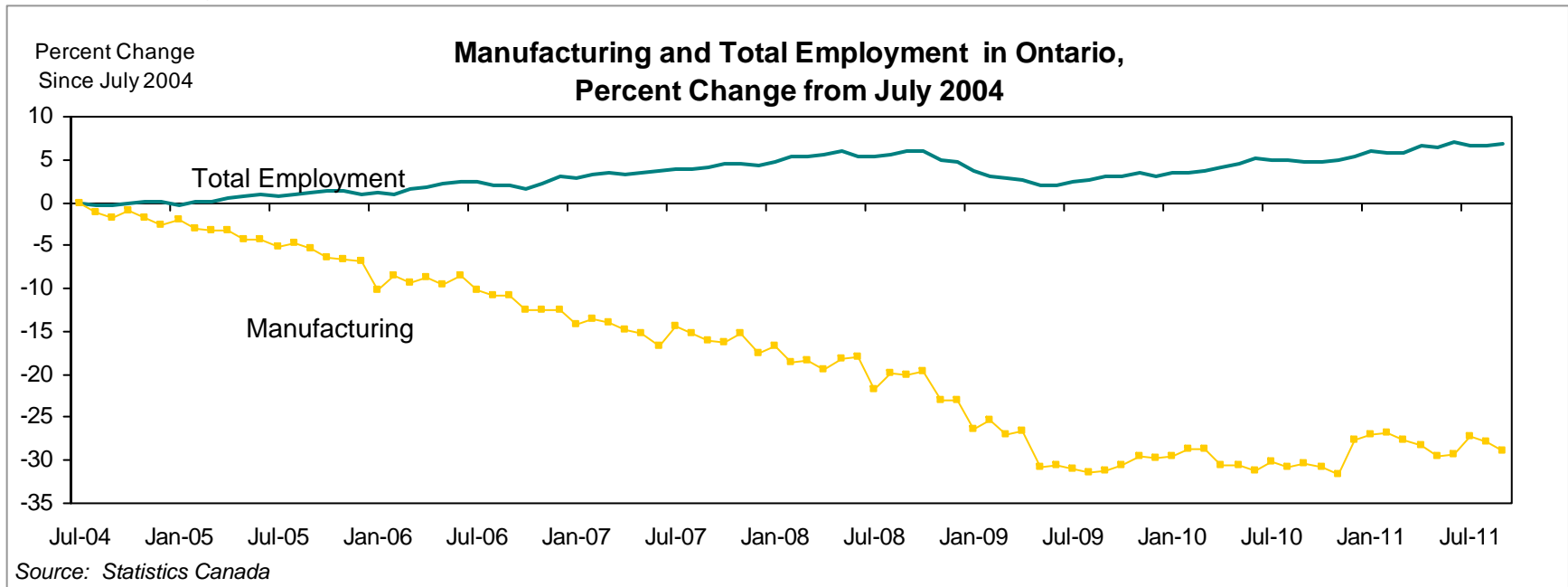
Manufacturing Employment Continues to Decline

Long-term trends:

- Between 1994 and 2004, Ontario manufacturing employment rose by more than 283,000 jobs, unlike the U.S. which recorded manufacturing job losses of over 2.5 million.
- Manufacturing employment in Ontario has declined for six straight years, since 2005. In contrast, the U.S. has seen manufacturing job losses for 12 consecutive years.
- Manufacturing share of total employment in Ontario has decreased from its peak share of 18% in August 2002 to 12% in September 2011. In comparison, the share of manufacturing jobs in the U.S. is currently 9%.

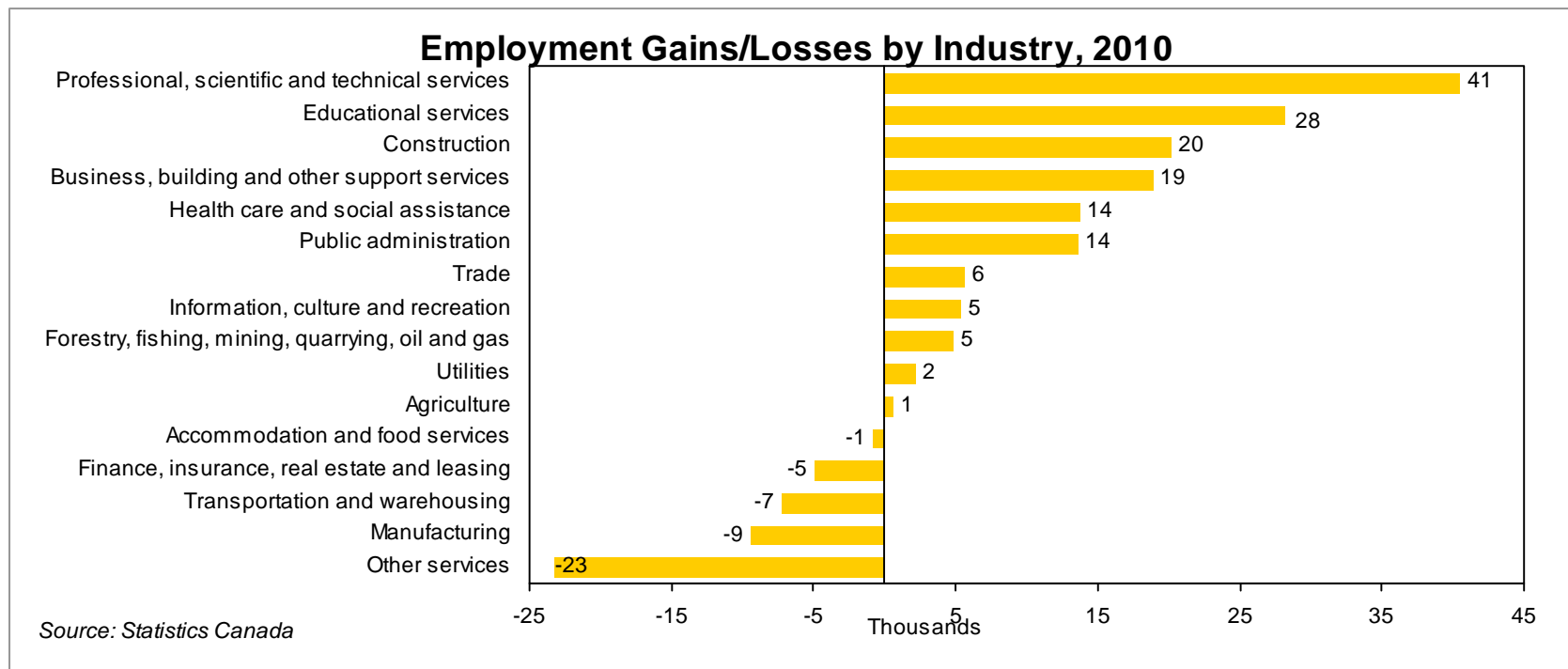
Current Economic Recovery:

- Employment losses in manufacturing accounted for 47.1% of all net job losses in Ontario from September 2008 to May 2009, but only accounted for 11.0% of the recovered jobs since May 2009.
- Since September 2008, employment in manufacturing is down by 10.9% (-97,600).
- Structural shifts within this industry make it unlikely that manufacturing employment will return to pre-recession share in the medium or longer term.



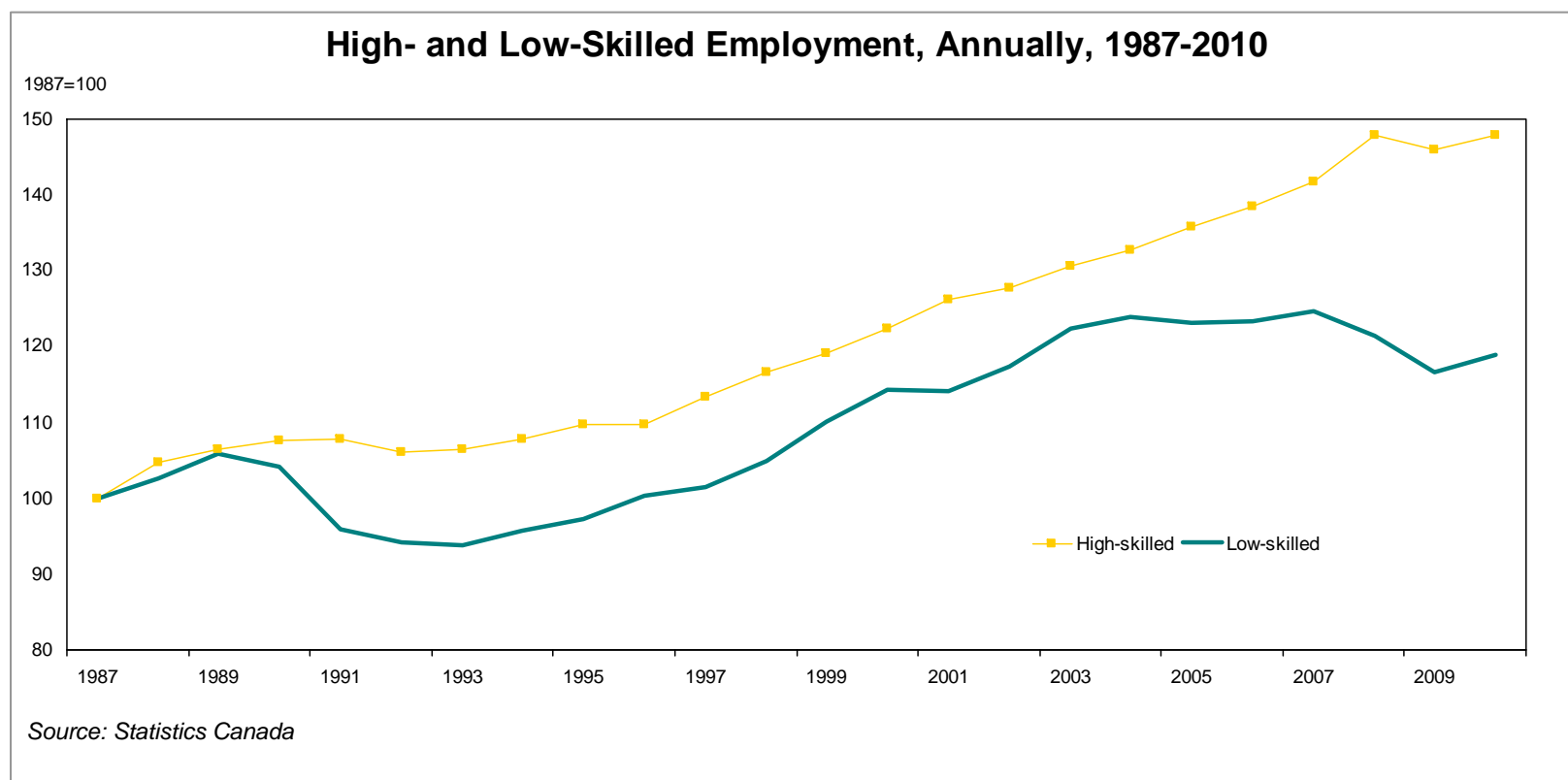
Employment Change by Industry: Ontario

- In 2010, employment growth was largely concentrated in the services-producing sector. This sector grew by 89,600 (+1.7%) while employment in the goods-producing sector dropped by 18,400 (-1.3%).
- A common misperception is that service-sector jobs are lower paying compared to the goods-producing sector. While some service-sector industries, such as accommodation and food services, have more lower-paying jobs, there are many high-paying service jobs in sectors such as health care, finance and insurance, and professional, scientific and technical services.
- Between 2009 and 2010, Manufacturing posted large employment losses (-9,400).
- Over the first nine months of 2011, employment gains have been driven by the health care and social assistance (+48,700) and Transportation and warehousing (+23,500) industries.



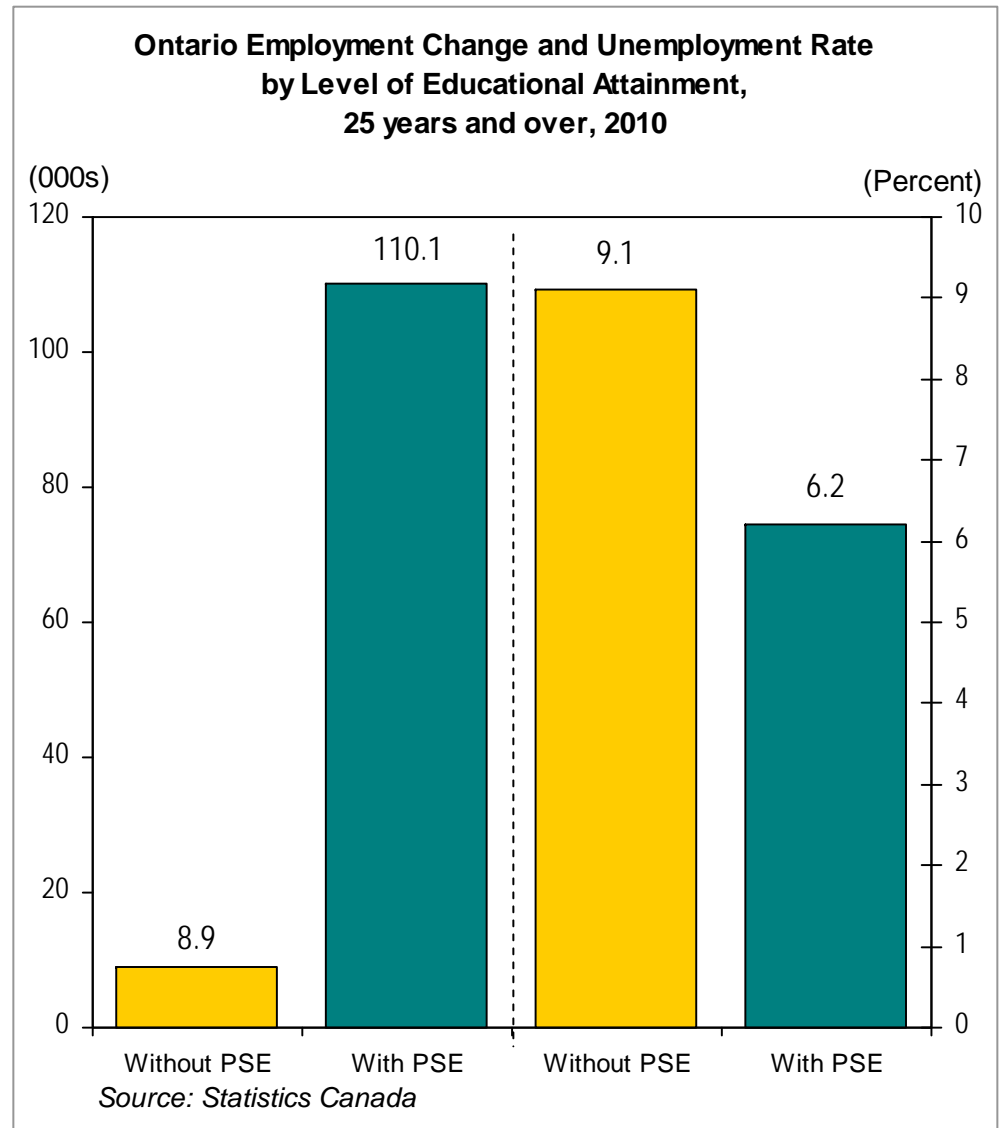
Postsecondary Education is a Growing Requirement for Employment

- Historically, employment growth in high-skilled jobs has been stronger, especially during economic downturns.
 - High-skilled group is composed of management occupations, occupations usually requiring university or college education, or apprenticeship training.
 - Low-skilled group is composed of occupations normally requiring high school education, or on-the-job training.



Employment Change by Educational Attainment

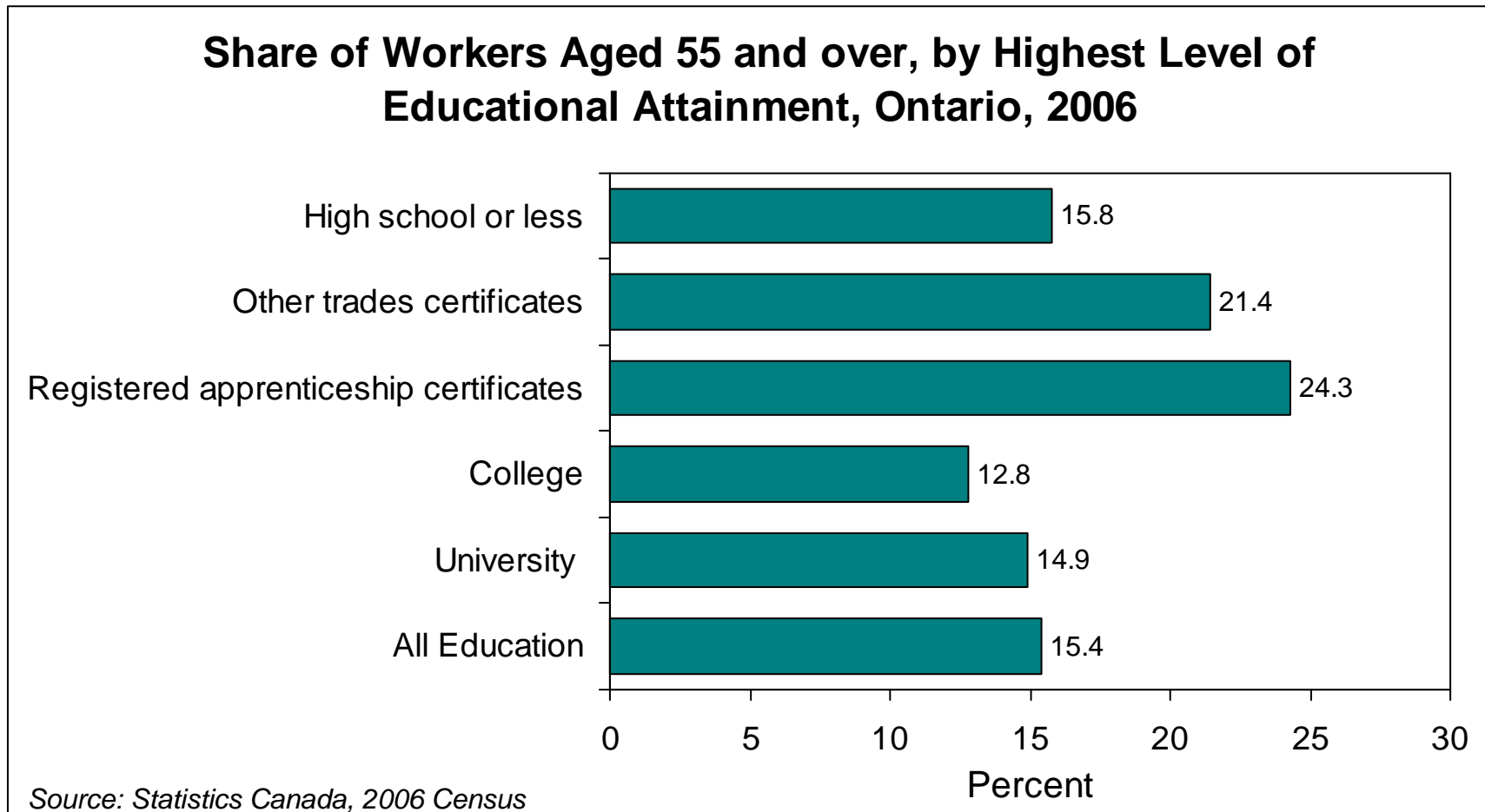
- People with PSE credentials are more resilient during economic downturns and gain jobs more quickly during recoveries.
 - Those without PSE accounted for almost 90% of the job losses in 2009 (-84,000 jobs) and those with PSE accounted for most of the job gains (110,000 or 92%) in 2010.
- Job growth has been concentrated among those with PSE. In 2010, employment for the population aged 25 years and over with a PSE credential increased by 110,100 compared only 8,900 for those without PSE.
- Those without PSE credentials also face higher unemployment rates compared to those with PSE: 9.1% versus 6.2% respectively in 2010.
- Over the first nine months of 2011, employment gains for those with PSE were 148,700 compared to the same period last year. In contrast, employment declined by 31,400 for those without PSE.



Workforce Demographics and Occupational Projections

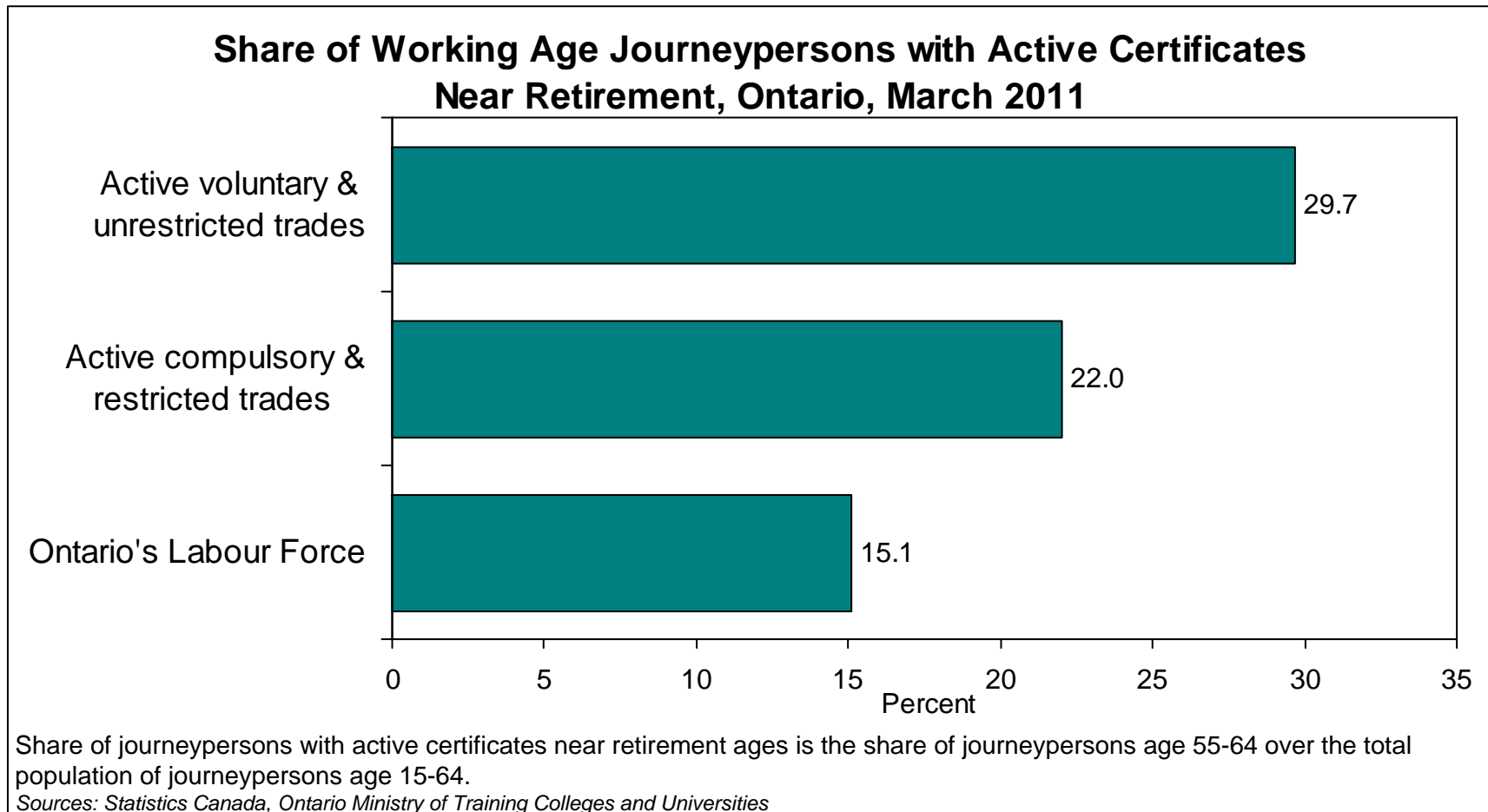
Workforce Demographics by Educational Attainment

- Ontario workers with registered apprenticeship certificates as the highest level of education were generally somewhat older than workers with other educational backgrounds in 2006.



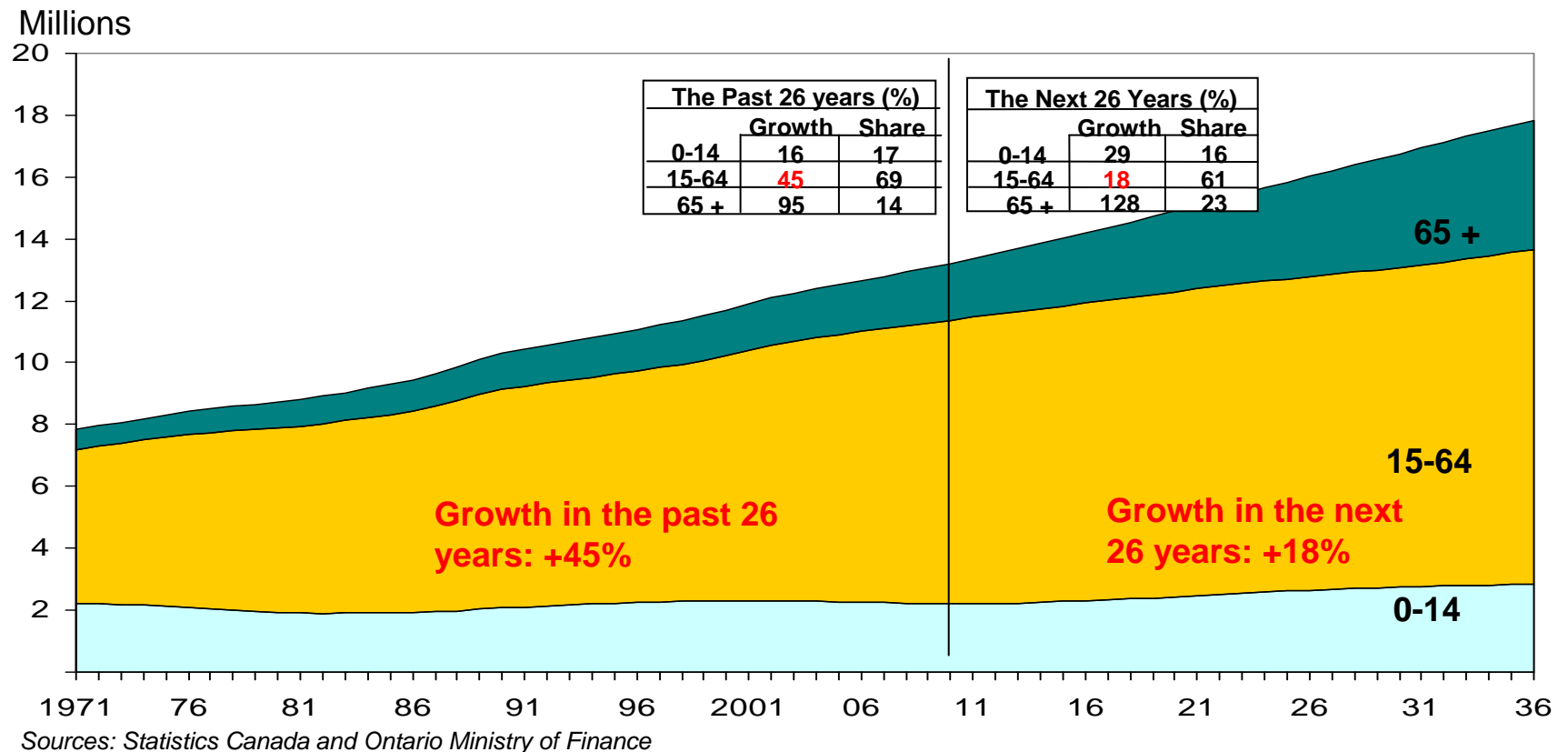
Greater Potential Retirements Among Voluntary Trades

- The share of journeypersons with certificates near retirement (ages 55 to 64) in voluntary and unrestricted trades was almost double that of Ontario's labour force (in March 2011).



Working Age Population Growth to Slow Sharply

- Demographic forces will slow labour market growth in the future.
- Population aging will accelerate. In 2010, 1.8 million people aged 65 years and over were living in Ontario, accounting for 13.9% of the total population. The share of seniors is expected to rise sharply to 23.4% by 2036 as the senior population is projected to more than double to 4.1 million.



Occupational Projections

- Persistent general labour shortage not expected. But some sectors may face pressures.
- Ontario's Long-Term Report projects unemployment rate averaging 5.8% over the two decades between 2010 and 2030.
- According to HRSDC's latest public projections*, while there are shortages in specific occupations at the national level which are expected to persist over the 2006-2015 period, no widespread labour shortages are expected to emerge over the ten years.
- General forecasts of labour shortages do not incorporate normal labour market adjustments forces, such as wage increases, that would occur to alleviate imbalances.

* Looking Ahead: A 10-Year Outlook for the Canadian Labour Market (2006-2015)