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PERSPECTIVES

ON LABOUR AND INCOME

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■ CANADA'S
UNEMPLOYMENT
MOSAIC, 2000 TO 2006

■ THE ABORIGINAL
LABOUR FORCE IN
WESTERN CANADA

■ *PERSONAL DEBT*



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-	not available for a specific reference period
...	not applicable
p	preliminary
r	revised
x	confidential
E	use with caution
F	too unreliable to be published

Highlights

In this issue

■ Canada's unemployment mosaic, 2000 to 2006

- In terms of having low unemployment rates, the best areas since 2000 have been primarily in the Prairies—Calgary, non-CMA (census metropolitan area) Alberta, and non-CMA Manitoba. The poorest performers have been non-CMA Newfoundland and Labrador, Prince Edward Island, non-CMA Nova Scotia, non-CMA New Brunswick, and Windsor.
- In both 2000 and 2006, Calgary registered among the lowest unemployment rates (4.5% and 3.2% respectively); the highest rates were recorded in non-CMA Newfoundland and Labrador (21.3% and 19.3%).
- Of the 16 CMA and non-CMA areas that saw a deterioration in their unemployment rate ranking between 2000 and 2006, 9 were in Ontario. Of the 5 CMAs with the largest drops, 4 were in Ontario's Golden Horseshoe—Oshawa, Hamilton, Toronto, and Windsor.
- Unemployment duration showed signs of improvement between 2000 and 2006. At the national level, it fell by about 3 weeks, from 19.8 to 16.7. Declines were also registered in most areas—33 of the 38 considered.

■ The Aboriginal labour force in Western Canada

- By the end of 2017, Aboriginal persons of working age (15 and older) are expected to number close to a million—about 3.4% of the working-age population. In Western Canada, Aboriginal (off-reserve) employment grew 23% between 2001 and 2005, compared with only 11% for non-Aboriginals.
- While the unemployment rate gap narrowed over the period, the Aboriginal rate remained 2.5 times that of the non-Aboriginal labour force in 2005.
- The effect of postsecondary education on employment is particularly strong for Aboriginal women with a university degree. Indeed, these women had an employment rate 11 percentage points higher than non-Aboriginal women.
- Most of the growth in the Western off-reserve Aboriginal labour force was dominated by the three largest occupational sectors: sales and service (35%); business, finance and administration (19%); and trades, transport and equipment operators (18%).

Perspectives

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Canada's unemployment mosaic, 2000 to 2006

Ernest B. Akyeampong

The unemployment rate is a well-known barometer of labour-market health. The rise in the national unemployment rate in the years immediately following the high-tech meltdown has been replaced by sustained annual declines, resulting in a rate of 6.3% for 2006. This is not only below the 6.8% registered during the boom, but a 30-year low as well.¹

Of course not all parts of the country have shared equally in the improvement. Some have done better, others worse. Normally, comparisons involve the 10 provinces or 5 regions of Canada, but within each, many distinct labour markets can be found. This article focuses on the 28 census metropolitan areas (CMAs) and the 10 provincial non-CMA areas (see *Data source and definitions*). Using the Labour Force Survey (LFS), the article first tracks unemployment rate dispersion for local labour markets (CMAs and non-CMA areas) between 2000 and 2006. It then examines the comparative labour market performance of these areas based on unemployment rates and rankings, and unemployment duration. Unemployment levels, labour force, and employment are provided in an appendix.

Unemployment rate dispersion rising

The impressive performance of the national unemployment rate in recent years hides considerable geographic disparities. For example, in 2006 the unemployment rate in the Québec CMA averaged 5.2% compared with 8.4% in nearby Montréal. Similarly, the unemployment rate in Kitchener (5.2%) was much lower than in Windsor (9.0%).

That the unemployment rate will differ by geographic area is generally understood. All things being equal, the dispersion is expected to narrow in periods of economic growth, when the national rate is usually falling

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Measuring dispersion

For a number of reasons, gaps always exist between the national unemployment rate and rates registered by various CMAs and non-CMAs. An increase in the dispersion rate means the gap is widening, and vice versa. In this paper, dispersion rates for CMAs and non-CMA areas are calculated as a weighted mean of the differences between the area and national unemployment rates. Specifically, the absolute difference between each area rate and the national rate is multiplied by the area labour force. These products are summed and the total divided by the national labour force to produce aggregate dispersion. Finally, this is divided by the national unemployment rate to produce percent dispersion.

This is expressed algebraically as:

$$\frac{\sum_{i=1}^{38} |u_i - u_n| \cdot \frac{LF_i}{LF_n}}{u_n}$$

where

U_i = unemployment rate in area i

U_n = national unemployment rate

LF_i = labour force in area i

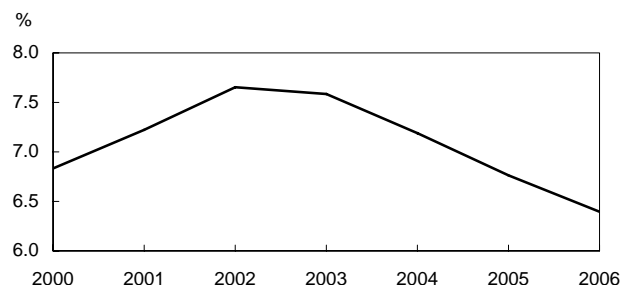
LF_n = national labour force

The dispersion of the average duration of unemployment was calculated in the same fashion.

(Guillemette 2006). However, the reverse has been the case in the current expansion, just as it was in the boom years of the late 1980s (Gower 1996). The variation around the national rate has tended to increase among CMAs and non-CMA areas in the past five years (2002 to 2006) as the national rate has drifted down (Charts A and B) (see *Measuring dispersion*).

Several reasons have been suggested for the rise in dispersion during the current expansion. First, the economic growth may not be strong or widespread (Guillemette 2006). The current expansion has been strongest in Western Canada (Cross and Bowlby 2006; White, Michalowski and Cross 2006), while

Chart A Canada's 2006 unemployment rate lowest in 30 years



Source: Statistics Canada, Labour Force Survey, 2000 to 2006

performance in some large metropolitan areas such as Toronto and Montréal has been more moderate. Others suggest that programs such as Employment Insurance may be discouraging the migration of some unemployed from underperforming areas to 'hot' labour markets, thereby accentuating the dispersion (Guillemette 2006).

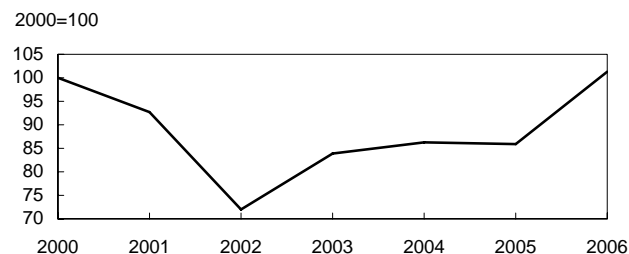
Trends and patterns in unemployment rates

Starting from a low of 6.8% in the boom year of 2000, the national unemployment rate rose to 7.2% in 2001, in line with the high-tech meltdown. Unemployment peaked in 2002 (7.7%), stalled the following year at 7.6%, and then declined steadily to 6.3% in 2006 (Chart A). With few exceptions, most areas displayed similar trends (Table 1). The five areas with no clear trends were Prince Edward Island, Windsor, Thunder Bay, non-CMA Ontario, and Regina.

In both 2000 and 2006, Calgary registered among the lowest unemployment rates (4.5% and 3.2% respectively);² the highest rates were recorded in non-CMA Newfoundland and Labrador (21.3% and 19.3%).

Some areas emerged as perennial best performers, defined here as having the lowest unemployment rates in five of the seven years. Others were perennial poor performers. Nearly all the best performers were in the Prairies (Calgary, non-CMA Alberta, and non-CMA Manitoba, the exception being Victoria). The Alberta areas maintained their enviable position largely as a result of the prosperity brought on by the oil and gas industry and the increased activity in construction. The poor performers were non-CMA

Chart B Unemployment rate dispersion has been increasing since 2002

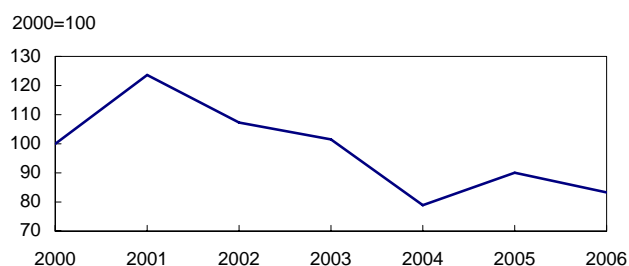


Source: Statistics Canada, Labour Force Survey, 2000 to 2006

Newfoundland and Labrador, Prince Edward Island, non-CMA Nova Scotia, non-CMA New Brunswick, and Windsor.

Both nationally and in a substantial majority of CMAs and non-CMA areas, the unemployment rate in 2006 was lower than in 2000. In eight areas, however, the opposite was true. Except for Montréal, the areas were in Ontario, a province hit by reduced activity in manufacturing overall and the auto industry in particular. High energy costs and reduced exports, due in part to the appreciating Canadian dollar, adversely affected these industries. A similar fate befell the manufacturing industries of Montréal; particularly hard-hit were its aerospace industry as well as the clothing and textile industry. Montréal also saw an employment drop in public administration.

Chart C Dispersion in the duration of unemployment dropped sharply between 2001 and 2004



Source: Statistics Canada, Labour Force Survey, 2000 to 2006

Table 1 Unemployment rate by region

	2000	2002	2004	2006
	%			
Canada	6.8	7.7	7.2	6.3
Atlantic	11.2	11.4	10.7	9.9
Newfoundland and Labrador	16.7	16.7	15.7	14.8
St. John's	9.5	9.2	9.0	8.1
Non-CMA areas	21.3	21.4	20.0	19.3
Prince Edward Island	12.1	12.0	11.3	11.0
Nova Scotia	9.1	9.6	8.8	7.9
Halifax	6.3	7.6	6.0	5.0
Non-CMA areas	11.4	11.1	11.0	10.3
New Brunswick	10.0	10.2	9.8	8.8
Saint John	7.3	8.3	7.9	6.1
Non-CMA areas	10.6	10.6	10.1	9.3
Quebec	8.5	8.6	8.5	8.0
Saguenay	9.9	11.4	11.0	8.8
Québec	8.1	6.4	5.8	5.2
Trois-Rivières	10.8	10.2	10.7	8.1
Sherbrooke	8.1	7.9	6.9	7.9
Montréal	7.8	8.6	8.7	8.4
Gatineau	6.0	6.8	6.6	5.6
Non-CMA areas	9.7	9.5	9.3	8.6
Ontario	5.8	7.1	6.8	6.3
Ottawa	5.6	7.5	6.6	5.1
Kingston	7.0	6.8	6.4	6.2
Greater Sudbury	8.3	9.2	8.2	7.2
Oshawa	5.8	6.8	5.4	6.5
Toronto	5.5	7.4	7.5	6.6
Hamilton	5.1	6.7	6.3	5.9
St. Catharines–Niagara	6.0	7.4	7.4	6.4
London	6.1	7.1	5.9	6.2
Windsor	5.4	8.1	8.7	9.0
Kitchener	5.6	5.7	5.1	5.2
Thunder Bay	6.5	6.6	8.2	7.5
Non-CMA areas	6.2	6.6	5.8	6.0
Prairies	5.0	5.3	4.9	3.8
Manitoba	5.0	5.1	5.3	4.3
Winnipeg	5.3	5.3	5.5	4.6
Non-CMA areas	4.3	4.8	5.0	3.8
Saskatchewan	5.1	5.7	5.3	4.7
Regina	4.9	5.5	5.0	4.9
Saskatoon	5.6	6.1	6.2	4.4
Non-CMA areas	5.0	5.5	5.1	4.7
Alberta	5.0	5.3	4.6	3.4
Calgary	4.5	5.7	5.0	3.2
Edmonton	5.6	5.2	4.8	3.9
Non-CMA areas	4.9	4.9	4.1	3.3
British Columbia	7.1	8.5	7.2	4.8
Abbotsford	7.5	7.5	6.4	4.5
Vancouver	5.8	7.7	6.7	4.4
Victoria	6.7	7.0	5.3	3.7
Non-CMA areas	9.2	10.2	8.3	5.6

Source: Statistics Canada, Labour Force Survey, 2000 to 2006

Data source and definitions

The **Labour Force Survey (LFS)** collects information each month on labour market activity from the civilian, non-institutionalized population 15 years of age and over. The territories are excluded from the national total, as are persons living on Indian reserves. The survey samples approximately 54,000 households, with each remaining in the sample for six consecutive months.

A **census metropolitan area (CMA)** consists of an urban core with a population of 100,000 or more, together with adjacent urban or rural areas that have a high degree of economic and social integration with the core. Subtracting CMAs from the provincial total produces residuals consisting of smaller urban and rural areas. These are referred to as **non-CMA areas**. All of Prince Edward Island is defined as a non-CMA. While these provincial residuals obviously contain many local variations in labour market conditions, such detail is beyond the scope of this article.

The duration of unemployment describes how long (usually in weeks) someone has continuously been looking for a job. The LFS, by design, measures periods of continuous incomplete job search. Information on completed spells can be obtained from longitudinal data sources such as the Survey of Labour and Income Dynamics (SLID).

Losses in ranking centred in Ontario

One way of demonstrating the fortunes of the CMAs and non-CMA areas is by way of changes in unemployment rate rank between 2000 and 2006 (Table 2). By this measure, labour markets in Ontario fared worst. Of the 16 areas that saw a deterioration in rank over the period, 9 were in Ontario. In Quebec, Montréal and to a lesser

Table 2 Areas ranked by unemployment rate

	2000	2002	2004	2006	2000 to 2006
		Rank			change
Calgary	2	7	3	1	1
Non-CMA Alberta	3	2	1	2	1
Victoria	22	17	8	3	19
Non-CMA Manitoba	1	1	3	4	-3
Edmonton	10	3	2	5	5
Saskatoon	10	9	15	6	4
Vancouver	14	24	21	6	8
Abbotsford	25	21	17	8	17
Winnipeg	7	4	10	9	-2
Non-CMA Saskatchewan	5	5	6	10	-5
Regina	3	5	3	11	-8
Halifax	20	23	14	12	8
Ottawa	10	21	19	13	-3
Québec	27	10	11	14	13
Kitchener	10	7	6	14	-4
Gatineau	16	14	19	16	0
Non-CMA British Columbia	30	32	28	16	14
Hamilton	6	13	16	18	-12
Non-CMA Ontario	19	11	11	19	0
Saint John	24	27	25	20	4
Kingston	23	14	17	21	2
London	18	18	13	21	-3
St. Catharines–Niagara	16	19	23	23	-7
Oshawa	14	14	9	24	-10
Toronto	9	19	24	25	-16
Greater Sudbury	29	29	26	26	3
Thunder Bay	21	11	26	27	-6
Sherbrooke	27	25	22	28	-1
St. John's	31	29	31	29	2
Trois-Rivières	35	32	34	29	6
Montréal	26	28	29	31	-5
Non-CMA Quebec	32	31	32	32	0
Saguenay	33	36	35	33	0
Windsor	8	26	29	34	-26
Non-CMA New Brunswick	34	34	33	35	-1
Non-CMA Nova Scotia	36	35	35	36	0
Prince Edward Island	37	37	37	37	0
Non-CMA Newfoundland and Labrador	38	38	38	38	0

Note: Area with the lowest unemployment rate is ranked number 1.
Source: Statistics Canada, Labour Force Survey, 2000 to 2006

degree Sherbrooke also lost some ground, while in Saskatchewan, Regina and the non-CMA areas saw their rankings decline.

Of the five CMAs that registered the largest drops in ranking between 2000 and 2006, four were in Ontario's Golden Horseshoe (Oshawa, Hamilton, Toronto and

Windsor) and the fifth was Regina (Table 3). The better performance of the western labour markets is also evident in their strongly positive rank changes. Four of the five areas with the best improvement were in British Columbia: Victoria, Abbotsford, non-CMA British Columbia, and Vancouver. B.C.'s

Table 3 Areas with largest changes in unemployment rate rank

	2000 to 2006
Improved	
Victoria	19
Abbotsford	17
Non-CMA British Columbia	14
Québec	13
Vancouver and Halifax	8
Worse	
Regina	-8
Oshawa	-10
Hamilton	-12
Toronto	-16
Windsor	-26

Source: Statistics Canada, Labour Force Survey, 2000 to 2006

labour market improvements came on the heels of gains in resource-based industries, construction and transportation, and in increased exports to the Far East, notably China. The Québec CMA also showed a significant improvement in ranking. Industries here registering respectable employment growth included public administration; information, culture and recreation; and transportation and warehousing.

Average unemployment duration falls in most CMAs

Average unemployment duration (weeks of continuous job search) provides one measure of the degree of difficulty faced by those searching for a job (Table 4).³

Unlike trends in the unemployment rate, a positive picture emerges from the average unemployment duration (Chart C). At the national level, duration fell by about 3 weeks (from 19.8 to 16.7 weeks) between 2000 and 2006. Declines were also registered in most areas

Table 4 Average duration of unemployment by region

	2000	2006	Change	
	Weeks			%
Canada	19.8	16.7	-3.1	-15.7
Atlantic	20.4	16.0	-4.4	-21.6
Newfoundland and Labrador	25.9	19.1	-6.8	-26.3
St. John's	25.9	17.0	-8.9	-34.4
Non-CMA areas	25.9	19.7	-6.2	-23.9
Prince Edward Island	13.2	14.3	1.1	8.3
Nova Scotia	20.1	14.7	-5.4	-26.9
Halifax	21.3	12.6	-8.7	-40.8
Non-CMA areas	19.6	15.5	-4.1	-20.9
New Brunswick	16.2	14.4	-1.8	-11.1
Saint John	19.9	12.6	-7.3	-36.7
Non-CMA areas	15.6	14.6	-1.0	-6.4
Quebec	24.8	20.4	-4.4	-17.7
Saguenay	20.7	22.4	1.7	8.2
Québec	27.4	17.7	-9.7	-35.4
Trois-Rivières	33.0	21.7	-11.3	-34.2
Sherbrooke	24.4	18.7	-5.7	-23.4
Montréal	24.5	21.8	-2.7	-11.0
Gatineau	23.8	17.4	-6.4	-26.9
Non-CMA areas	24.4	18.9	-5.5	-22.5
Ontario	17.7	15.8	-1.9	-10.7
Ottawa	17.2	13.5	-3.7	-21.5
Kingston	17.4	16.0	-1.4	-8.0
Greater Sudbury	18.6	13.9	-4.7	-25.3
Oshawa	13.5	16.0	2.5	18.5
Toronto	17.9	16.7	-1.2	-6.7
Hamilton	19.7	16.4	-3.3	-16.8
St. Catharines–Niagara	17.6	13.4	-4.2	-23.9
London	17.3	15.6	-1.7	-9.8
Windsor	16.2	15.2	-1.0	-6.2
Kitchener	18.2	13.1	-5.1	-28.0
Thunder Bay	21.1	16.0	-5.1	-24.2
Non-CMA areas	17.7	15.4	-2.3	-13.0
Prairies	14.0	11.6	-2.4	-17.1
Manitoba	16.2	14.3	-1.9	-11.7
Winnipeg	16.2	15.2	-1.0	-6.2
Non-CMA areas	16.1	12.1	-4.0	-24.8
Saskatchewan	15.8	11.5	-4.3	-27.2
Regina	16.8	12.5	-4.3	-25.6
Saskatoon	16.4	9.2	-7.2	-43.9
Non-CMA areas	15.1	12.1	-3.0	-19.9
Alberta	12.6	10.5	-2.1	-16.7
Calgary	13.7	9.1	-4.6	-33.6
Edmonton	12.1	8.4	-3.7	-30.6
Non-CMA areas	12.3	14.1	1.8	14.6
British Columbia	19.0	14.7	-4.3	-22.6
Abbotsford	21.7	11.2	-10.5	-48.4
Vancouver	18.4	16.0	-2.4	-13.0
Victoria	18.2	21.2	3.0	16.5
Non-CMA areas	19.4	12.4	-7.0	-36.1

Source: Statistics Canada, Labour Force Survey, 2000 and 2006

(33). Whereas 8 areas registered a higher unemployment rate in 2006, only 5 areas had a higher average unemployment duration (Prince Edward Island, Saguenay, Oshawa, non-CMA Alberta, and Victoria). Indeed, except for Oshawa, all areas in Ontario had shorter durations in 2006. The rise in duration in Victoria is intriguing since this CMA was among those registering the best improvement in unemployment rate.

In addition to the fairly steep drop in average unemployment duration in most areas, the degree of dispersion tightened. In 2000, duration ranged from just over 12 weeks in Edmonton and non-CMA Alberta to 33 weeks in Trois Rivières (Table 4). By 2006, it ranged from around 8 weeks in Edmonton to about 22 weeks in Saguenay, Trois Rivières and Montréal.

Summary

The benefits of the current economic expansion have not been shared equally by the various CMA and non-CMA areas across Canada. The unequal distribution is clearly evident in the disparities observed in unemployment rate movements in the different geographical areas.

The past four years have witnessed an improvement in unemployment rates in many areas. Alberta and British Columbia CMAs and non-CMA areas especially have recorded significant improvements, reflecting the boom in oil, gas and other resource-based industries, as well as increased activity in construction and transportation. Only two CMAs, Windsor and Thunder Bay, have seen some recent deterioration or fluctuation in their unemployment rates. In Windsor,

this was primarily due to setbacks in manufacturing industries in general and the auto industry in particular. The overall result has been an increase in the unemployment rate dispersion over the past several years.

However, the overall picture emerging from the average duration of unemployment in the 2000s is more encouraging. Not only did the average weeks of continuous job search fall between 2000 and 2006 in most areas, the difference between the shortest and longest also shrank.

Perspectives

Appendix

Areas in Ontario registered the largest increases in numbers unemployed. This paper examined shifts in unemployment through the unemployment rate and ranking, both measures being abstract. However, the number of people unemployed is also of interest.

At the national level, the number of unemployed increased by 2.4% (26,000) between 2000 and 2006. Almost all of the 15 areas registering increases in unemployment numbers were located in Ontario (11) and Quebec (3). The other CMA recording an increase was Regina. Some of the increases were fairly large. For example, unemployment rose in Windsor by 81% (7,000), in Toronto by 38% (54,000), and in Oshawa by 38% (3,000). In Montréal, it rose by 19% (27,000).

The remaining 23 areas recorded decreases in unemployment, with significant declines being registered in Québec (-28% or -8,000), Edmonton (-22% or -6,000), Victoria (-40% or -4,000), and non-CMA British Columbia (-35% or -24,000).

Table A1 Unemployment by region

	2000	2006	Change	
	'000	'000	'000	%
Canada	1,082.8	1,108.4	25.6	2.4
All CMAS	654.2	716.3	62.1	9.5
All non-CMA areas	428.6	392.1	-36.5	-8.5
Atlantic	126.6	118.3	-8.3	-6.6
Newfoundland and Labrador	39.8	37.5	-2.3	-5.8
St. John's	8.8	8.2	-0.6	-6.8
Non-CMA areas	31.0	29.3	-1.7	-5.5
Prince Edward Island	8.6	8.5	-0.1	-1.2
Nova Scotia	41.4	38.1	-3.3	-8.0
Halifax	12.6	10.8	-1.8	-14.3
Non-CMA areas	28.8	27.3	-1.5	-5.2
New Brunswick	36.8	34.2	-2.6	-7.1
Saint John	4.8	4.0	-0.8	-16.7
Non-CMA areas	32.0	30.2	-1.8	-5.6
Quebec	314.7	328.7	14.0	4.4
Saguenay	7.2	6.8	-0.4	-5.6
Québec	28.7	20.8	-7.9	-27.5
Sherbrooke	6.5	7.0	0.5	7.7
Trois-Rivières	7.4	5.9	-1.5	-20.3
Montréal	142.5	169.8	27.3	19.2
Gatineau	8.5	9.5	1.0	11.8
Non-CMA areas	114.0	108.9	-5.1	-4.5
Ontario	355.6	434.6	79.0	22.2
Ottawa	25.3	25.9	0.6	2.4
Kingston	4.9	5.1	0.2	4.1
Oshawa	9.0	12.4	3.4	37.8
Toronto	142.5	196.6	54.1	38.0
Hamilton	18.5	23.5	5.0	27.0
St. Catharines–Niagara	12.1	12.9	0.8	6.6
Kitchener	13.2	13.8	0.6	4.5
London	14.8	16.2	1.4	9.5
Windsor	9.0	16.3	7.3	81.1
Greater Sudbury	6.8	6.1	-0.7	-10.3
Thunder Bay	4.2	5.0	0.8	19.0
Non-CMA areas	95.3	100.9	5.6	5.9
Prairies	137.3	117.3	-20.0	-14.6
Manitoba	28.8	26.5	-2.3	-8.0
Winnipeg	20.0	18.5	-1.5	-7.5
Non-CMA areas	8.9	8.0	-0.9	-10.1
Saskatchewan	25.7	24.0	-1.7	-6.6
Regina	5.3	5.6	0.3	5.7
Saskatoon	6.8	5.9	-0.9	-13.2
Non-CMA areas	13.5	12.5	-1.0	-7.4
Alberta	82.8	66.8	-16.0	-19.3
Calgary	25.8	21.8	-4.0	-15.5
Edmonton	28.9	22.7	-6.2	-21.5
Non-CMA areas	28.1	22.3	-5.8	-20.6
British Columbia	148.6	109.6	-39.0	-26.2
Vancouver	63.6	54.8	-8.8	-13.8
Victoria	11.1	6.7	-4.4	-39.6
Abbotsford	5.5	3.9	-1.6	-29.1
Non-CMA areas	68.4	44.2	-24.2	-35.4

Source: Statistics Canada, Labour Force Survey, 2000 and 2006

Table A2 Labour force by region

	2000	2006	Change	
	'000	'000	'000	%
Canada	15,847.0	17,592.8	1,745.8	11.0
All CMAS	10,560.3	11,874.2	1,313.9	12.4
All non-CMA areas	5,286.7	5,718.6	431.9	8.2
Atlantic	1,129.9	1,199.8	69.9	6.2
Newfoundland and Labrador	237.8	253.1	15.3	6.4
St. John's	92.2	101.6	9.4	10.2
Non-CMA areas	145.6	151.5	5.9	4.1
Prince Edward Island	71.3	77.1	5.8	8.1
Nova Scotia	452.8	480.0	27.2	6.0
Halifax	200.9	215.7	14.8	7.4
Non-CMA areas	251.8	264.3	12.5	5.0
New Brunswick	368.0	389.6	21.6	5.9
Saint John	65.7	65.9	0.2	0.3
Non-CMA areas	302.3	323.7	21.4	7.1
Quebec	3,717.5	4,094.2	376.7	10.1
Saguenay	72.7	77.2	4.5	6.2
Québec	354.3	397.4	43.1	12.2
Trois-Rivières	68.6	73.2	4.6	6.7
Sherbrooke	79.8	88.8	9.0	11.3
Montréal	1,819.7	2,026.7	207.0	11.4
Gatineau	142.4	169.7	27.3	19.2
Non-CMA areas	1,180.0	1,261.1	81.1	6.9
Ontario	6,172.7	6,927.3	754.6	12.2
Ottawa	454.3	509.0	54.7	12.0
Kingston	70.1	82.4	12.3	17.5
Greater Sudbury	82.3	84.2	1.9	2.3
Oshawa	155.9	189.7	33.8	21.7
Toronto	2,597.7	2,998.7	401.0	15.4
Hamilton	362.1	395.3	33.2	9.2
St. Catharines–Niagara	202.5	203.1	0.6	0.3
London	243.5	261.8	18.3	7.5
Windsor	166.4	181.3	14.9	9.0
Kitchener	234.4	265.2	30.8	13.1
Thunder Bay	65.0	66.5	1.5	2.3
Non-CMA areas	1,538.4	1,690.2	151.8	9.9
Prairies	2,747.1	3,066.5	319.4	11.6
Manitoba	581.1	613.5	32.4	5.6
Winnipeg	375.4	400.7	25.3	6.7
Non-CMA areas	205.7	212.8	7.1	3.5
Saskatchewan	499.2	515.6	16.4	3.3
Regina	108.7	115.2	6.5	6.0
Saskatoon	121.9	133.9	12.0	9.8
Non-CMA areas	268.5	266.5	-2.0	-0.7
Alberta	1,666.8	1,937.5	270.7	16.2
Calgary	567.7	676.9	109.2	19.2
Edmonton	520.0	584.0	64.0	12.3
Non-CMA areas	579.1	676.6	97.5	16.8
British Columbia	2,079.9	2,305.1	225.2	10.8
Abbotsford	73.8	86.3	12.5	16.9
Vancouver	1,095.7	1,241.9	146.2	13.3
Victoria	166.4	182.0	15.6	9.4
Non-CMA areas	743.9	794.9	51.0	6.9

Source: Statistics Canada, Labour Force Survey, 2000 and 2006

Table A3 Employment by region

	2000	2006	Change	
	'000	'000	'000	%
Canada	14,764.2	16,484.3	1,720.1	11.7
All CMAS	9,906.0	11,157.8	1,251.8	12.6
All non-CMA areas	4,858.2	5,326.5	468.3	9.6
Atlantic	1,003.3	1,081.5	78.2	7.8
Newfoundland and Labrador	198.0	215.7	17.7	8.9
St. John's	83.5	93.4	9.9	11.9
Non-CMA areas	114.6	122.2	7.6	6.6
Prince Edward Island	62.7	68.6	5.9	9.4
Nova Scotia	411.4	441.8	30.4	7.4
Halifax	188.3	204.8	16.5	8.8
Non-CMA areas	223.0	237.0	14.0	6.3
New Brunswick	331.2	355.4	24.2	7.3
Saint John	60.9	61.9	1.0	1.6
Non-CMA areas	270.3	293.5	23.2	8.6
Quebec	3,402.8	3,765.4	362.6	10.7
Saguenay	65.6	70.4	4.8	7.3
Québec	325.6	376.6	51.0	15.7
Sherbrooke	73.3	81.9	8.6	11.7
Trois-Rivières	61.2	67.3	6.1	10.0
Montréal	1,677.2	1,856.8	179.6	10.7
Gatineau	133.8	160.2	26.4	19.7
Non-CMA areas	1,066.0	1,152.1	86.1	8.1
Ontario	5,817.1	6,492.7	675.6	11.6
Ottawa	429.1	483.1	54.0	12.6
Kingston	65.1	77.3	12.2	18.7
Oshawa	146.9	177.3	30.4	20.7
Toronto	2,455.3	2,802.1	346.8	14.1
Hamilton	343.6	371.9	28.3	8.2
St. Catharines–Niagara	190.4	190.2	-0.2	-0.1
Kitchener	221.2	251.4	30.2	13.7
London	228.7	245.6	16.9	7.4
Windsor	157.4	165.1	7.7	4.9
Greater Sudbury	75.5	78.1	2.6	3.4
Thunder Bay	60.9	61.5	0.6	1.0
Non-CMA areas	1,443.1	1,589.3	146.2	10.1
Prairies	2,609.8	2,949.2	339.4	13.0
Manitoba	552.3	587.0	34.7	6.3
Winnipeg	355.4	382.2	26.8	7.5
Non-CMA areas	196.9	204.8	7.9	4.0
Saskatchewan	473.5	491.6	18.1	3.8
Regina	103.4	109.6	6.2	6.0
Saskatoon	115.1	128.0	12.9	11.2
Non-CMA areas	255.0	254.0	-1.0	-0.4
Alberta	1,584.0	1,870.7	286.7	18.1
Calgary	541.9	655.1	113.2	20.9
Edmonton	491.1	561.3	70.2	14.3
Non-CMA areas	551.0	654.2	103.2	18.7
British Columbia	1,931.3	2,195.5	264.2	13.7
Vancouver	1,032.1	1,187.1	155.0	15.0
Victoria	155.3	175.2	19.9	12.8
Abbotsford	68.3	82.3	14.0	20.5
Non-CMA areas	675.6	750.8	75.2	11.1

Source: Statistics Canada, Labour Force Survey, 2000 and 2006

■ Notes

1 Caution must be exercised when comparing recent LFS employment and unemployment estimates with those prior to 1976—when the questionnaire underwent significant changes.

2 In actual fact, in 2000 Calgary's unemployment rate (4.5%) was bettered by that of non-CMA Manitoba (4.3%).

3 The LFS average durations in Table 4 are, by survey design, for incomplete job search. These are shorter than completed search durations provided by other surveys such as the Survey of Labour and Income Dynamics (SLID). Notwithstanding, the LFS data still provide useful insights on labour market health.

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The Aboriginal labour force in Western Canada

Jacqueline Luffman and Deborah Sussman

As Canada's labour market tightens, employers are scouring many sources in their search for skilled workers. One such source is the Aboriginal population. By the end of 2017, Aboriginal people of working age (15 and older) will number close to a million—about 3.4% of the working-age population overall (Statistics Canada 2005). With anticipated shortages in many areas of the labour force, this growing population may constitute an important pool of labour.

Aboriginal people have a much younger average age than other Canadians and their educational attainment is generally lower. Geographically, they are concentrated in remote areas (some reserves and in the North) and in a few urban centres (mostly Western Canadian cities). They are also less likely to be self-employed. All these factors play a major role in their labour market experiences and are critical to understanding both the challenges and opportunities for their future employment growth.

Over the coming years, the proportion of Aboriginal people in the young adult population (aged 20 to 29) is projected to grow significantly—more than for the same age group overall. Certain provinces will be particularly affected. For example, in Saskatchewan, the proportion of Aboriginal people in their 20s is expected to almost double—from 17% of the Aboriginal population in 2001 to 30% in 2017. Similarly, the proportion in Manitoba, also 17% in 2001, is projected to grow to 23%. These young people offer an enormous potential for increasing Aboriginal people's participation in the labour market, especially in

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these provinces (Consulbec 2002). The degree to which such provinces can integrate these young people into the labour force will become increasingly important.

How do Aboriginal and non-Aboriginal people compare in terms of employment, occupational distribution, and skill levels. Are gaps between the two closing? Are some segments of the Aboriginal population faring better than others? What is the relationship between educational attainment and labour market success? This article uses the 2005 Labour Force Survey (LFS) to compare characteristics of the off-reserve Aboriginal and the non-Aboriginal populations in the Western Canada labour force. Using the 2001 Census, the labour force situation of the entire Aboriginal population is also presented in an appendix. Where possible, comparisons will be made between the two sources (see *Data sources and definitions*).

Aboriginal unemployment higher in 2001

In 2001, Aboriginal people made up about 2.7% of Canada's working-age population and about 2.5% of its labour force (see *Appendix*). Of the roughly 652,000 Aboriginal people aged 15 or over, 61% lived in Western Canada. Nationally, they had lower participation and employment rates (60.6% and 49.7% respectively) than non-Aboriginals (66.1% and 61.8%), and a much higher unemployment rate (18.0% versus 6.5%).

Aboriginal labour market performance varied considerably from one region of the country to another. Provinces with the highest percentage of Aboriginal people—Manitoba and Saskatchewan—had Aboriginal unemployment rates of about 18% and 22% respectively. This was more than four times the unemployment rate of the non-Aboriginal population in both these provinces. Aboriginal unemployment rates were also high in the Atlantic provinces (where the proportion of Aboriginal people is lower), ranging from 20% in Nova Scotia to 32% in Newfoundland and Labrador.

Manitoba and British Columbia led Aboriginal job growth

How have Aboriginal people been faring since 2001? The only source of labour market information on Aboriginal people since the 2001 Census is the Labour Force Survey, which covers only those living off-reserve in Western Canada. This segment is the focus of the rest of the article.¹

Aboriginal people form a significant part of the labour force in Western Canada where the economy, particularly in Alberta and British Columbia, has enjoyed renewed growth in recent years.² This growth was driven by mining and construction in Alberta and by construction, real estate and transportation in British Columbia (White, Michalowski and Cross 2006). Aboriginal employment grew 23% between 2001 and 2005 compared with only 11% for non-Aboriginals.

Over the same period, the Aboriginal unemployment rate dropped 3 percentage points while their participation rate rose—particularly among women (Table 1). Although the unemployment gap narrowed, the Aboriginal unemployment rate still remained more than double that of the non-Aboriginal population in 2005.

With its abundance of natural resources, Alberta has led job growth in the West.³ Not surprisingly then, Aboriginal people in Alberta had the highest labour force participation (70.0%) and employment rates (64.1%) and the lowest unemployment rate (8.5%) among the Western provinces. Alberta's economic prosperity benefited everyone as evidenced by its overall unemployment rate of only 3.9% in 2005.

Aboriginal people in Manitoba and British Columbia saw the highest growth in employment between 2001 and 2005 (Chart A). Manitoba's growth rate was 30%,

Aboriginals in cities faring better

Although the largest CMAs offer more varied opportunities for employment, some are still struggling with high rates of unemployment within their Aboriginal population. In 2001, the highest percentage shares of working-age Aboriginal people were found in Saskatoon (7.5%), Winnipeg (7.4%) and Regina (6.5%). In absolute terms, Winnipeg had the largest number of Aboriginal people (35,800) of all the CMAs, followed by Edmonton (26,500). In 2001, Aboriginal people in Saskatoon and Regina had the lowest par-

ticipation rates and highest unemployment rates among the Western CMAs. In 2005, Regina still had the lowest participation and the highest unemployment rates among Aboriginal people. The gap in labour market outcomes between Aboriginal and non-Aboriginal people varies greatly by city, even within the same province. In 2005, Vancouver and Calgary had the highest labour force participation rates, even surpassing non-Aboriginals. Calgary had the lowest unemployment rate, followed by Victoria.

	Winnipeg	Saskatoon	Regina	Edmonton	Victoria	Calgary	Vancouver
2001							
Non-Aboriginal							
Participation rate	68.6	70.1	70.8	71.9	63.8	74.8	65.8
Employment rate	65.5	66.6	67.6	68.6	60.2	71.5	61.5
Unemployment rate	4.5	4.9	4.6	4.5	5.6	4.3	6.5
Aboriginal							
Participation rate	63.5	56.8	56.8	65.9	62.1	74.7	62.3
Employment rate	55.1	45.3	46.3	57.4	53.4	67.7	53.5
Unemployment rate	13.2	20.2	18.5	12.1	13.9	9.4	14.0
2005							
Non-Aboriginal							
Participation rate	69.8	71.7	72.0	70.5	64.8	73.7	67.1
Employment rate	66.7	68.4	69.0	67.5	62.0	70.8	63.4
Unemployment rate	4.4	4.5	4.2	4.3	4.3	3.9	5.6
Aboriginal							
Participation rate	63.8	62.4	59.9	66.0	63.6	75.1	70.9
Employment rate	57.5	54.3	50.6	58.7	58.1	70.8	60.4
Unemployment rate	9.8	12.9	15.5	11.1	8.6	5.7	14.8

Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

five times the non-Aboriginal rate. Although British Columbia's Aboriginal participation rate (66%) was lower than Alberta's, it was up from 2001. By contrast, Saskatchewan continued to have the lowest Aboriginal employment rate (52%), despite a small increase since 2001. In addition, Saskatchewan had the largest employment rate gap in 2005 (14 percentage points compared with 7 for all of Western Canada).

Employment rate gap narrows

The Aboriginal employment rate was 58% in 2005, up from 54% in 2001. Because the rate increased less than 1 percentage point among non-Aboriginals while increasing strongly among Aboriginal people, the gap between the two groups narrowed, particularly for women (Chart B).

Labour force participation rates among men appear to be stabilizing for both populations. The gap, however, decreased slightly for men and much more for women. With rising employment, unemployment rates declined for both Aboriginal men and women in 2005.

Aboriginal education levels improving

The large gap in educational attainment between Aboriginal and non-Aboriginal people has been well-documented. Although Aboriginal people living off-reserve are generally better educated than their on-reserve counterparts, they still lag behind non-Aboriginals.

Western Canadians are increasingly likely to have university degrees—18% in 2005 versus 15% in 2001. During the same short period, Aboriginal people living off-

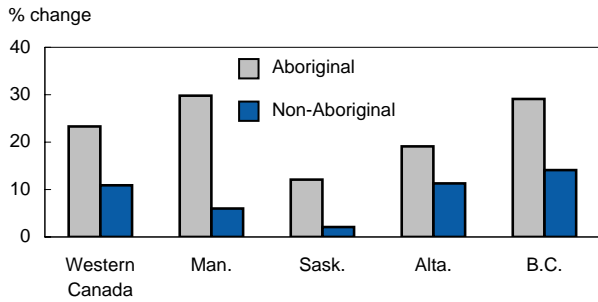
Table 1 The off-reserve Aboriginal labour force in Western Canada

	2001		2005	
	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal
	'000			
Population 15 and over	281	6,690	324	7,317
Labour force	181	4,575	215	5,025
Employment	153	4,320	189	4,790
Unemployment	28	255	26	235
	%			
Both sexes				
Aboriginal labour force	3.8	...	4.1	...
Employment rate	54.4	64.5	58.3	65.5
Unemployment rate	15.5	5.6	12.1	4.7
Participation rate	64.4	68.4	66.4	68.7
Men				
Aboriginal labour force	3.7	...	3.8	...
Employment rate	59.3	70.2	63.0	71.0
Unemployment rate	17.0	6.3	12.5	4.7
Participation rate	71.5	74.5	72.0	74.5
Women				
Aboriginal labour force	4.0	...	4.5	...
Employment rate	50.2	59.2	54.4	60.0
Unemployment rate	13.9	6.0	11.7	4.6
Participation rate	58.4	62.5	61.6	62.9
Manitoba				
Aboriginal labour force	7.3	...	8.5	...
Employment rate	55.2	65.2	59.2	65.9
Unemployment rate	14.2	4.2	10.1	4.3
Participation rate	64.4	68.1	65.8	68.9
Saskatchewan				
Aboriginal labour force	6.1	...	6.6	...
Employment rate	48.9	66.0	51.7	65.6
Unemployment rate	17.5	4.2	16.2	4.3
Participation rate	59.3	68.9	61.7	68.6
Alberta				
Aboriginal labour force	3.3	...	3.4	...
Employment rate	60.6	70.0	64.1	70.0
Unemployment rate	11.6	4.3	8.5	3.8
Participation rate	68.6	73.1	70.0	72.8
British Columbia				
Aboriginal labour force	2.7	...	3.0	...
Employment rate	51.4	60.1	56.1	62.0
Unemployment rate	19.1	7.4	15.0	5.6
Participation rate	63.5	64.9	66.0	65.6

Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

reserve have shown tremendous growth in university education attainment—60% more Aboriginal people now have university degrees (from 5% of all Aboriginal people in 2001 to 7% in 2005).⁴ Consequently, the proportion of Aboriginal people with less than high school education also dropped, from 45% to 37% (Chart C). The proportion with a postsecondary certificate or diploma also dropped slightly for both Aboriginal and non-Aboriginal people.

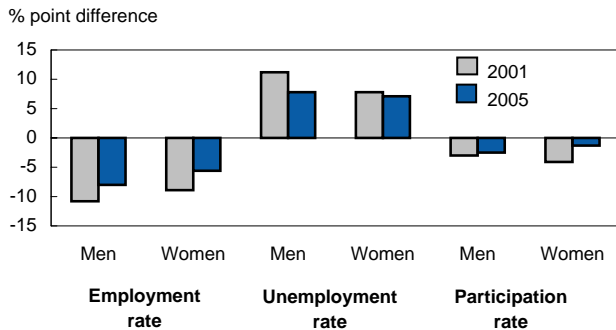
**Chart A Employment growth of working-age
Aboriginals and non-Aboriginals,
2001 to 2005**



Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

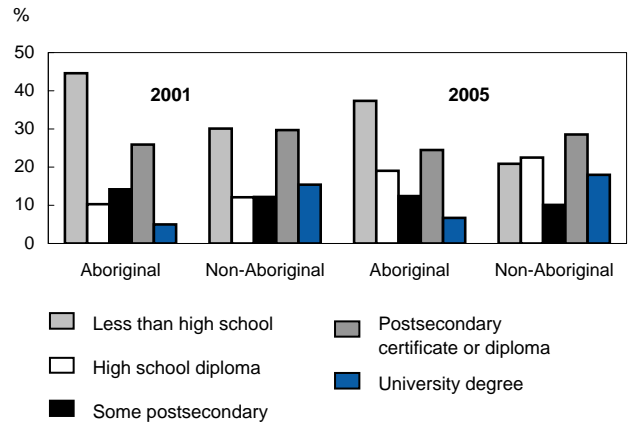
High school non-completion rates for Aboriginal youth have been a major concern. A high school diploma is generally considered a minimum requirement for most jobs in today's economy. Since 1981, the gap in educational attainment between Aboriginal and non-Aboriginal people has narrowed. Between 2001 and 2005, the proportion of 20-to-24 year-old Aboriginal youth in Western Canada who had not finished high school dropped from 41% to 31% (Chart D). The share of non-Aboriginal youth without high school completion also decreased. The gap between the two youth populations continues to be high at 21

Chart B Western Canada labour force gaps



Note: Gaps refer to the difference between the percentage of Aboriginal and non-Aboriginal people.
Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

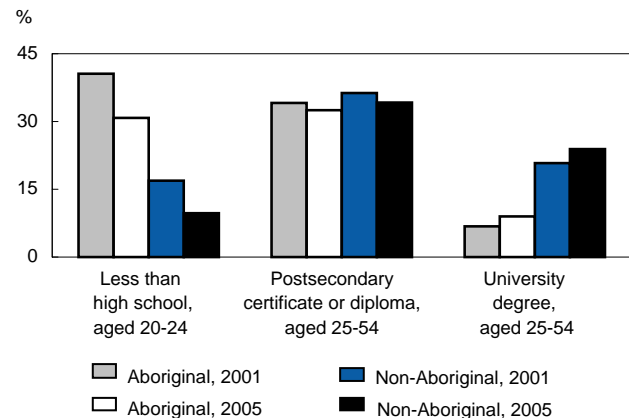
**Chart C Education level distribution for
Western Canada off-reserve
Aboriginals and non-Aboriginals**



Note: Excludes full-time students.
Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

percentage points (24 points in 2001). On the other hand, among persons aged 25 to 54, the proportions with a postsecondary certificate or diploma were very similar for both Aboriginal and non-Aboriginal people.

**Chart D Educational attainment gap in
Western Canada continues to narrow**



Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

Postsecondary education beneficial

The likelihood of employment increases and the likelihood of unemployment decreases significantly with more education. This pattern can be illustrated with the off-reserve labour force data for Western Canada (Table 2). Among the least educated (no high school diploma), employment rates were very low in 2005 for both Aboriginal and non-Aboriginal populations (36% and 41% respectively). Among the very well-educated (university degree), Aboriginal employment rates surpassed those of the non-Aboriginal population in 2005—84% compared with 77%.⁵

The effect of postsecondary education on employment is particularly strong for Aboriginal women. With a university education, they had an employment rate 11 percentage points higher than non-Aboriginal women. For men, the difference was only 4 points. On the other hand, among those who did not complete postsecondary education, the gap was in the opposite direction for both women (-11 points) and men (-6 points), indicating the importance of educational credentials for Aboriginal workers. (Ciceri and Scott 2006 found a similar pattern.)

Occupational distribution static

Even though off-reserve Aboriginal people in Western Canada had higher labour force participation and employment rates, and lower unemployment rates in 2005 than in 2001, their occupational profile changed very little (Table 3). Overall, the top three occupations in both years were sales and service (mainly retail sales clerks and cash-

Table 2 Western Canada education levels, 2005

	Employment rate	Unemployment rate	Employment gap ¹	
			2005	2001
Both sexes		%	% point	
Aboriginal				
Less than high school	36.3	21.2	-5.1	-7.0
High school diploma	70.2	9.3	1.8	-2.5
Some postsecondary	57.5	13.6	-8.5	-10.7
Postsecondary certificate or diploma	76.0	8.2	2.4	-2.4
University degree	84.1	3.9	7.6	-2.2
Non-Aboriginal				
Less than high school	41.4	8.6		
High school diploma	68.4	4.8		
Some postsecondary	66.0	5.2		
Postsecondary certificate or diploma	73.6	3.5		
University degree	76.5	3.5		
Men				
Aboriginal				
Less than high school	43.2	20.4	-6.9	-14.8
High school diploma	75.4	9.7	-0.6	-9.2
Some postsecondary	63.8	10.7 ^E	-5.7	-9.8
Postsecondary certificate or diploma	80.7	9.5	2.0	-2.5
University degree	82.3	F	3.8	2.1
Non-Aboriginal				
Less than high school	50.1	8.0		
High school diploma	76.0	5.0		
Some postsecondary	69.5	5.5		
Postsecondary certificate or diploma	78.7	3.4		
University degree	78.5	3.5		
Women				
Aboriginal				
Less than high school	30.0	22.1	-2.4	-9.1
High school diploma	65.5	9.0	4.2	-5.4
Some postsecondary	52.1	16.4	-10.5	-10.4
Postsecondary certificate or diploma	72.4	7.1	3.9	-1.5
University degree	85.2	F	10.8	3.1
Non-Aboriginal				
Less than high school	32.4	9.4		
High school diploma	61.3	4.6		
Some postsecondary	62.6	4.7		
Postsecondary certificate or diploma	68.5	3.7		
University degree	74.4	3.5		

¹ Difference between Aboriginal and non-Aboriginal employment rates.

Sources: Statistics Canada, Census of Population, 2001; Labour Force Survey, 2005

iers, food and beverage occupations, protective service, and child care and home support); trades, transport and equipment operators (mainly mechanics, contractors, construction trade workers, and transportation

Data sources and definitions

The **Labour Force Survey** (LFS) collects monthly information on labour market activity from the civilian, non-institutionalized population 15 years of age and over. Residents of the territories are surveyed but the data are excluded from the national total. Persons living on Indian reserves are also excluded. The survey consists of a rotating panel sample of approximately 54,000 households, with each household remaining in the sample for six consecutive months. The LFS divides the working-age population into three mutually exclusive classifications: employed, unemployed, and not in the labour force. For a full listing and description of LFS variables, see *Guide to the Labour Force Survey* (Statistics Canada catalogue no. 71-543-GIE).

Aboriginal identity

One of the greatest challenges is measuring the Aboriginal population. The 2001 Census identifies Aboriginal people in several ways:

- self-identification as an Aboriginal person (North American Indian, Métis or Inuit)
- Aboriginal ancestry—persons who reported at least one Aboriginal origin in the census question on ethnic origin.
- member of an Indian Band or First Nation (self-reported)
- Registered or Treaty Indian—persons who reported being registered under the *Indian Act* of Canada. Treaty Indians are registered under the *Indian Act* and can prove descent from a Band that signed a treaty.

In 1991 and previous censuses, Aboriginal persons were identified using the ethnic origin (ancestry) question. Beginning in August 2002, the LFS added two questions to allow Aboriginal people in Alberta living off-reserve to identify themselves. In April 2004, the questions were extended to British Columbia, Saskatchewan and Manitoba. The first question asked if the respondent was an Aboriginal person—that is, North American Indian, Métis or Inuit. If yes, a second question asked specifically to which group they belonged. Because of historical changes in the census to the ethnic origin and Aboriginal identity questions, this article focuses on the 2001 Census Aboriginal identity question, which is the same as in the 2005 Labour Force Survey. Self-identification is now used more often to define affiliation with an Aboriginal group (Guimond 2003).

Labour force: Persons 15 years of age and over who were employed or unemployed during the survey reference week.

Participation rate: Labour force expressed as a percentage of the population. The participation rate for a particular group is the labour force in that group expressed as a percentage of the population for that group.

Employment rate: The percentage of the population employed.

Occupational classification and skill level: The National Occupational Classification comprises more than 500 occupations. The Essential Skills Research Project, carried out by Human Resources and Skills Development Canada, estimated the skill level of each occupation. The assigned code reflects both the education level usually required in the labour market and some criteria covering experience, specific training, and responsibility related to health and safety (as in the case of police officers and nurses). The skill levels are university degree; a college diploma or certificate, or apprenticeship training; no more than a high school diploma.

Managers are treated separately, given the diversity of their experience and education. The skill levels attributed to occupations date from the early 1990s, so levels for some occupations may differ slightly in 2001 or 2005. For example, occupations requiring a college diploma or certificate in 1991 may have required a university degree in 2001 or 2005. Similarly, occupations previously requiring high school graduation may now require a college diploma.

Differences between the census and the Labour Force Survey

In the census, the labour force refers to persons aged 15 and over who were either employed or unemployed during the week prior to Census Day (May 15, 2001). In the LFS, information is collected for the week containing the 15th day of the month.

Both the census and the LFS use the National Occupational Classification for Statistics 2001 coding system. However, the census is a self-completed survey whereas the LFS is conducted using trained interviewers who understand the occupational descriptions and can probe for further information. For more information, see Statistics Canada (2002).

may not be accessible to them. Indeed, they are under-represented in occupations normally requiring a university education and over-represented in occupations requiring a high school diploma or less. Disparity has widened among the latter group since 2001.

Although Aboriginal numbers are increasing at universities, most of those taking postsecondary education do so at the college or trade level. According to the National Graduates Survey, Aboriginal people accounted for 17% of Manitoba's college-level gradu-

ates in 2000, but only 9% at the bachelor's level (Vaillancourt 2005). The proportion of graduates at the college level roughly reflected the proportion of Aboriginal people in the general Manitoban population, while they were under-represented at the bachelor's level. Aboriginal graduates also tended to choose different fields of study—health, parks, recreation and fitness—while their non-Aboriginal counterparts tended to choose engineering technologies. This survey also found that Aboriginal college graduates were

Construction Sector Council and the Aboriginal Human Resource Development Council of Canada are also forecasting shortages. Since more than 62,000 construction workers across Canada are expected to retire within the next 10 years, the shortage could represent a major opportunity for Aboriginal youth, irrespective of where they live.

Summary

Historically, Aboriginal people have not fared well in the labour market as lower educational attainment has channelled them into less skilled jobs. They also have higher unemployment rates. Labour force indicators from 2001 show that living in more remote locations has been a factor—Aboriginal people living on reserves had an unemployment rate of 27% in 2001, nearly four times that of Canada as a whole.

The good news is that Aboriginal people are starting to benefit from the increasingly tighter labour market conditions, particularly in Alberta and British Columbia. In fact, labour-force participation rates for Aboriginal people living off-reserve surpassed those of the non-Aboriginal population in both Calgary and Vancouver in 2005. Employment among Aboriginal people in the West rose 23% between 2001 and 2005, versus only 11% among non-Aboriginals. In addition, their unemployment rate dropped 3 percentage points, the improvement in education levels likely being an important factor. In fact, while only 7% of working-age Aboriginal people had a university degree, those that did were even more likely than non-Aboriginals to hold a job in 2005 (84% versus 77%).

The proportion of Aboriginal people living off-reserve in Western Canada who work in occupations requiring college, trade or apprenticeship training (such as trades and construction) has grown over the last few years. Such skills, particularly in the primary industries, can be easily applied anywhere in Canada, and as such may be one of the keys to employment mobility, particularly for more remote areas. With on-reserve populations expected to increase and housing shortages forecast, the establishment of trade education programs in these locations could be particularly relevant. Nevertheless, in 2005, one-third of the Aboriginal labour force in Western Canada was employed in occupations requiring only a high school education.

The evidence concerning Aboriginal people's labour market outcomes in Western Canada shows that progress is being made. Nevertheless, substantial gaps remain between the Aboriginal and non-Aboriginal populations. For example, young Aboriginal women (20 to 24) who live off-reserve continue to have lower rates of labour force participation and high school completion than their non-Aboriginal counterparts. Secondly, the employment gap remains high in cities such as Regina and Saskatoon, which are home to a large portion of the Aboriginal population. In spite of these challenges, current trends seem to signal improvement in the labour market performance of Aboriginal people.

Perspectives

APPENDIX

Table A1 Aboriginal population 15 and older

In 2001, the majority of the Aboriginal population lived in Western Canada (61%) while 20% lived in Ontario.

Provincially, Manitoba had the largest share of Aboriginal people (11%); Nunavut led the territories (80%).

Yukon had the largest share of North American Indians (85%); not surprisingly, Nunavut had the highest percentage of Inuit.

Alberta had the largest share of Métis (45%).

	Total population ¹	Aboriginal identity
		'000
Canada	23,901	652
Atlantic	1,847	38
Newfoundland and Labrador	419	14
Prince Edward Island	107	1
Nova Scotia	732	12
New Brunswick	589	12
Quebec	5,832	56
Ontario	9,048	133
Western Canada	7,107	395
Manitoba	869	96
Saskatchewan	756	79
Alberta	2,322	103
British Columbia	3,160	118
Northwest Territories	27	12
Yukon	22	5
Nunavut	17	13

¹ Includes the Aboriginal groups (North American Indian, Métis and Inuit) and multiple Aboriginal responses.

Source: Statistics Canada, Census of Population, 2001

Table A2 Area of residence

Twenty-eight percent of Aboriginal people lived on reserves in 2001.

	On reserve	Off-reserve	
		Rural	Urban
		%	
Age 15 and over	27.8	20.3	52.0
15 to 24	29.3	18.9	51.8
25 to 54	26.5	19.9	53.6
55 and over	30.5	24.1	45.5

Source: Statistics Canada, Census of Population, 2001

Table A3 Population by age

The Aboriginal age distribution is considerably younger than the non-Aboriginal.

Thirteen percent of the non-Aboriginal population was 65 and over compared with only 4% of the Aboriginal population.

In contrast, one-third of the Aboriginal population was under 15 compared with only one-fifth of the non-Aboriginal population.

	Aboriginal	Non-Aboriginal
		'000
All ages	976	28,663
0 to 4	103	1,599
5 to 9	113	1,868
10 to 14	108	1,947
15 to 19	93	1,951
20 to 24	76	1,868
25 to 34	149	3,825
35 to 44	146	4,928
45 to 54	96	4,297
55 to 64	53	2,795
65 and over	40	3,585

Source: Statistics Canada, Census of Population, 2001

Table A4 Top 10 Aboriginal occupations

	Aboriginal		Non-Aboriginal	
	Average age	%	Average age	%
Men	36	100.0	40	100.0
Construction trades	37	7.4	40	4.1
Trades helpers, construction and transportation labourers and related	33	6.9	36	3.5
Motor vehicle and transit drivers	40	6.4	42	5.2
Forestry, mining, oil and gas extraction and fishing, excluding labourers	37	5.7	40	1.4
Cleaners	37	4.6	40	2.7
Other sales and service occupations	24	3.9	27	3.3
Protective services	36	3.7	39	2.4
Mechanics	38	3.6	40	2.6
Primary production labourers	32	3.5	33	1.3
Clerical occupations	34	3.4	37	4.9
Women	36	100.0	39	100.0
Clerical occupations	35	13.4	39	14.7
Salespersons and cashiers	30	7.6	32	8.2
Paralegals, social service workers and occupations in education and religion	36	6.5	37	3.4
Childcare and home support	37	6.2	40	3.3
Cleaners	39	6.0	42	2.6
Other sales and service occupations	30	5.3	32	4.3
Secretaries	37	4.0	43	5.0
Food and beverage service	28	3.9	29	2.9
Secondary and elementary school teachers and educational counsellors	40	3.8	42	4.1
Assisting occupations in support of health services	39	2.8	39	2.5

Source: Statistics Canada, Census of Population, 2001

The most common occupational category for Aboriginal men in 2001 was construction trades—7.4% compared with only 4.1% of non-Aboriginal men. Such jobs include plumbers, carpenters, painters, and shinglers. Just under one-third of Aboriginal men in these occupations lived on-reserve and were younger (37) than their non-Aboriginal counterparts (40).

The most common occupations for Aboriginal men on-reserve in 2001 were in the forestry, mining, fishing, and oil and gas extraction industries. Such jobs include logging machinery operators, oil and gas drillers, and trappers and hunters.

The most common occupations among Aboriginal women in 2001 were clerical, which include general office clerks, data entry clerks, library clerks, letter carriers, and bank and financial clerks. Although 13.4% of Aboriginal women were found in these occupations, slightly more non-Aboriginal women had jobs in this area (14.7%).

The most common occupations among Aboriginal women living on-reserve in 2001 were in child care and home support. Aboriginal women on-reserve were also highly likely to be secondary or elementary teachers or counsellors.

Research has shown that many people on reserves would prefer to have a job close to home rather than a better job somewhere else (EKOS 2004). Although Aboriginal youth were more likely to prefer the best job available, those aged 25 to 44 had the greatest preference for staying close to home, as did those who had a college level education. Indeed, the emotional support of family was considered an important factor in the choice of employment, a sentiment that increased with age and education.

Table A5 Top 10 occupations, 15 to 24 year-olds

The most common occupations for Aboriginal youth were in sales and service, accounting for almost 1 in 4 jobs held by this group. Other common jobs were clerical, trades and cleaners. Non-Aboriginal youth showed a similar pattern.

Among Aboriginal youth on-reserve, jobs in child care and home support as well as education and social services were also prominent.

Sales and service jobs were common among Aboriginal youth of both sexes. Trades, labourer, and primary industry-related occupations were more common among young men, with the latter being particularly important for those on-reserve. Clerical, child care and home support, education and social service, and secretarial jobs were more popular among young Aboriginal women, with the latter three areas being relatively more plentiful among those on-reserve.

	Aboriginal	Non-Aboriginal
	%	
Both sexes	100.0	100.0
Other sales and service	13.0	13.0
Salespersons and cashiers	11.1	15.5
Clerical occupations	8.0	10.4
Trades helpers, construction and transportation labourers and related	5.6	3.5
Food and beverage service	5.5	5.3
Cleaners	4.7	2.9
Primary production labourers	3.9	2.2
Childcare and home support	3.5	1.9
Paralegals, social service workers and occupations in education and religion	3.4	1.8
Chefs and cooks	3.1	2.8
Men	100.0	100.0
Other sales and service	12.9	14.4
Trades helpers, construction and transportation labourers and related	9.6	6.3
Primary production labourers	6.3	3.5
Salespersons and cashiers	5.0	9.0
Construction trades	5.0	3.0
Cleaners	4.8	3.7
Clerical occupations	4.7	7.5
Labourers in manufacturing and utilities	4.4	3.6
Forestry, mining, oil and gas extraction and fishing, excluding labourers	4.4	1.0
Chefs and cooks	3.8	3.9
Women	100.0	100.0
Salespersons and cashiers	17.9	22.4
Other sales and service	13.1	11.5
Clerical occupations	11.7	13.4
Food and beverage service	9.9	8.5
Childcare and home support	6.1	3.3
Paralegals, social services workers and occupations in education and religion	5.7	3.2
Cleaners	4.5	2.0
Secretaries	2.4	2.1
Chefs and cooks	2.3	1.7
Travel and accommodation (including casino occupations)	1.9	1.6

Source: Statistics Canada, Census of Population, 2001

Table A6 Hourly earnings of employees

Aboriginal employees earned less on average than their non-Aboriginal counterparts (\$14.20 versus \$15.50 per hour).

These average hourly earnings mask important distributional differences. For example, 1 in 4 Aboriginal employees earned less than \$10 per hour, compared with only 1 in 6 non-Aboriginal employees.

	Aboriginal			Non-Aboriginal		
	Both sexes	Men	Women	Both sexes	Men	Women
Overall	14.20	14.80	13.60	15.50	16.10	14.80
				\$		
\$0.01 to \$9.99	24.8	20.7	28.6	16.5	12.1	21.1
\$10.00 to \$15.99	32.8	30.6	34.8	28.3	24.6	32.1
\$16.00 to \$19.99	13.8	13.6	14.0	15.2	14.5	16.0
\$20.00 and over	28.6	35.1	22.6	40.0	48.8	30.8

Source: Statistics Canada, Labour Force Survey, 2005

Only 29% of Aboriginal employees earned \$20 or more per hour, compared with 40% of non-Aboriginal employees.

Table A7 Labour market rates by province, age and sex

Province or territory	Participation rate			Employment rate			Unemployment rate		
	Aboriginal			Aboriginal			Aboriginal		
	Off-reserve	On-reserve	Other	Off-reserve	On-reserve	Other	Off-reserve	On-reserve	Other
					%				
Canada	64.1	51.4	66.1	54.2	37.7	61.8	15.4	26.6	6.5
Newfoundland and Labrador	58.2	F	56.4	40.0	44.0	45.2	31.3	42.6	19.8
Prince Edward Island	63.5	F	68.3	49.3	45.3	60.0	22.3	F	12.1
Nova Scotia	64.4	51.9	60.9	54.1	37.0	55.1	16.0	28.6	9.7
New Brunswick	64.6	53.7	62.5	50.2	33.0	55.4	22.2	38.5	11.3
Quebec	60.0	52.9	63.8	50.9	40.8	59.0	15.1	23.0	7.6
Ontario	65.4	57.3	66.9	57.6	45.2	63.3	11.9	21.1	5.4
Manitoba	64.4	46.0	68.1	55.2	32.3	65.2	14.2	29.7	4.2
Saskatchewan	59.3	42.8	68.9	48.9	29.2	66.0	17.5	31.8	4.2
Alberta	68.6	45.5	73.1	60.6	33.5	70.0	11.6	26.4	4.3
British Columbia	63.5	57.6	64.9	51.4	41.6	60.1	19.1	27.7	7.4
Yukon	71.1	68.8	81.2	54.4	48.4	75.3	23.4	29.7	7.3
Northwest Territories	69.3	62.6	87.2	59.7	50.7	84.3	13.8	19.0	3.5
Nunavut	61.1	...	93.2	47.6	...	90.6	22.1	...	2.8
Sex									
Men	70.4	55.8	72.4	58.5	38.0	67.6	16.9	31.8	6.7
Women	58.6	47.0	60.1	50.5	37.4	56.4	13.8	20.4	6.3
Age									
Both sexes									
15 to 24	54.6	31.8	63.6	43.2	19.5	56.8	20.9	38.6	10.7
25 to 54	75.5	67.3	85.1	65.0	50.7	80.3	13.9	24.7	5.7
Men									
15 to 24	58.1	34.6	64.4	45.2	19.9	56.9	22.2	42.5	11.6
25 to 54	83.1	72.4	90.9	70.3	50.5	85.7	15.4	30.3	5.7
Women									
15 to 24	51.4	28.8	62.8	41.3	19.1	56.6	19.6	33.7	9.9
25 to 54	69.0	62.2	79.5	60.5	50.9	75.0	12.4	18.2	5.6

Source: Statistics Canada, Census of Population, 2001

In 2001, Aboriginal people made up about 2.7% of Canada's population and about 2.5% of the labour force.

Aboriginal participation and employment rates (60.6% and 49.7% respectively) fell short of the non-Aboriginal rates (66.1% and 61.8%), and their unemployment rate was much higher (18.0% versus 6.5%).

In Manitoba and Saskatchewan, the provinces with the highest percentages of Aboriginal people, Aboriginal unemployment rates were 18.2% and 21.6% respectively. These were over four times the non-Aboriginal rates.

Aboriginal unemployment rates were high in the Atlantic provinces (where the proportion of Aboriginal people is lower), ranging from 20.4% in Nova Scotia to 31.9% in Newfoundland and Labrador.

Despite the greater likelihood of Aboriginal people being unemployed in Atlantic Canada, their labour force participation was on a par with non-Aboriginals, and in some cases higher.

In contrast, some provinces and territories such as Saskatchewan and Nunavut had a high level of Aboriginal unemployment, as well as a low labour force participation.

Aboriginal men had the highest unemployment rate in 2001, at 20.6%. This was higher than the rate for Aboriginal women (15.3%) and three times the rate of non-Aboriginal men (6.7%).

Aboriginal women, while faring better than Aboriginal men, still faced an unemployment rate more than twice that of non-Aboriginal women (6.3%).

Young Aboriginal men (15 to 24) had a particularly difficult time finding work; their unemployment rate was 26.3% in 2001. Although youth traditionally have higher unemployment rates than the core working-age population, this rate was more than twice that of young non-Aboriginal men.

Young Aboriginal women also faced higher unemployment than their non-Aboriginal counterparts—22.2% versus 9.9%.

The employment rate was only 37.7% among the on-reserve Aboriginal population—almost the same as in the 1996 Census. More than one-quarter of the Aboriginal population 15 and over lived on reserves in 2001, and this is expected to grow to 40% by 2017 (Statistics Canada 2005).

Although population growth was strong among working-age Aboriginal people, both on- and off-reserve, employment increased more rapidly among those living off-reserve. Those on-reserve may be disadvantaged in terms of employment prospects, given remote locations and limited access to education, training, job market information, and child care (EKOS 2004). Indeed, more than half had not completed high school in 2001, compared with 44% living off-reserve and 31% of non-Aboriginals.

Aboriginals living on-reserve experienced higher unemployment—about 1 in 4 of those in the labour force in 2001. The rate for Aboriginal people living off-reserve was much lower at 15.4%, but still more than twice the non-Aboriginal rate (6.5%).

Perspectives

■ **Notes**

1 In 2001, Aboriginal people living off-reserve in Western Canada accounted for 43% of the total Aboriginal population in Canada and 70% of the Aboriginal population in the West.

2 In 2005, Aboriginal people made up 8% of the labour force in Manitoba, 7% in Saskatchewan, and about 3% in Alberta and in British Columbia.

3 Alberta is in the midst of the strongest period of economic growth ever recorded by any province in Canada's history. Its total GDP rose 43% between 2002 and 2005 and showed no signs of slowing down in 2006. Most of this increase reflects the soaring price of oil and gas exports, which have led to expanded business investment in pipelines as well as non-residential (office buildings, petrochemical plants) and residential construction (Cross and Bowlby 2006).

4 In absolute terms, the off-reserve Aboriginal population with a university degree in Western Canada grew from 14,000 to 22,000.

5 For the 25-to-54 core working-age group, the employment rate of university-educated Aboriginal workers still surpassed that of their non-Aboriginal counterparts, although the difference was considerably smaller (89% versus 86%).

6 Full-time students looking for full-time work were removed from the unemployed category. The census and the LFS treat students in the labour force differently. The census removes only high school students from the unemployment

category, whereas the LFS removes both full-time high school and university students looking for work.

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January
2007

PERSPECTIVES

ON LABOUR AND INCOME

Personal debt

Although the U.S. economy and population are almost 10 times the size of Canada's, the two countries show several similarities. Both have relatively high per-capita income and living standards. Given geographic proximity to the U.S. and a smaller economy, Canada is affected more than other countries by changes in the U.S. economy and in its commercial and financial institutions—especially when such institutions have branches in Canada. Since the U.S. is Canada's major trading partner (taking 81% of total exports in 2005 compared with 64% in 1980, and accounting for 67% and 64% of imports), the U.S. recessions of the early 1980s and 1990s, as well as the boom beginning in the late 1990s, spread to Canada within short order. Both countries have also experienced almost the same rate of inflation—goods and services worth \$1.00 in the respective currencies in 1980 cost \$2.43 in Canada and \$2.37 in the U.S. in 2005.

Population characteristics are also similar. Two-thirds of persons 16 years old and over in each country participate in the labour force. A greater proportion of

women were working in 2005 than in 1980. Both populations are aging, the median age increasing between 1980 and 2005 from 28.9 to 38.0 in Canada and from 29.8 to 35.9 in the U.S. Since both countries have large immigrant populations, the median age is affected by the mix of native-born persons, the age of immigrants and emigrants, and fertility and mortality rates by age. Over the last 25 years, the proportion of persons 65 and over has risen from 9.4% to 13.1% in Canada and from 11.2% to 12.3% in the U.S. In both countries, the proportions of persons living alone and female lone-parent families have risen.

Age is a key determinant of personal consumption expenditure, income and saving, but spending is also much affected by key monetary variables such as disposable income and access to credit. The following charts highlight various aspects of Canadian and American income, spending, saving and debt over the last 25 years.

Definitions

Personal income

Sum of income from labour, unincorporated business, interest and investments, and government transfers received by individuals and non-profit or fraternal organizations.

Personal disposable income

Personal income less income taxes and other mandatory deductions paid to government.

Personal consumption expenditure

Sum of expenditure on food and beverages, clothing, housing, furniture, medical care, transportation, communications, and recreation.

Personal saving

Personal income less consumption expenditure, taxes, and transfers to government, corporations and non-residents.

Consumer debt

Amounts outstanding on credit cards, vehicle loans, other personal loans, instalment or revolving debts, and unpaid bills.

Per-capita debt

Total debt (consumer debt plus mortgages) divided by the population. Per-capita disposable income and expenditure are derived in the same fashion. Comparisons of per-capita amounts are in Canadian dollars after converting the U.S. data by purchasing power parities.

Personal savings rate

Personal savings as a percentage of personal disposable income.

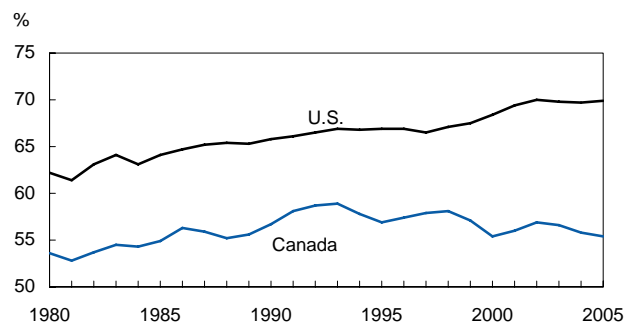


Statistics Canada
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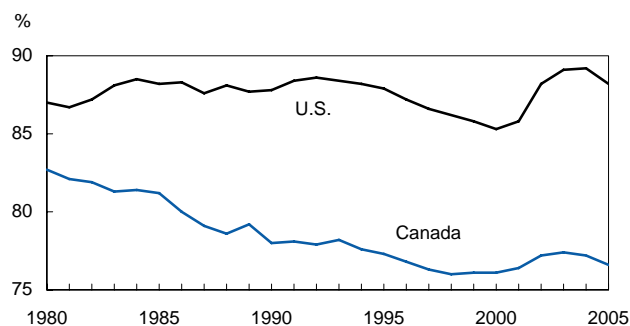
Personal consumption expenditure constitutes a larger share of GDP in the U.S.

Consumer spending is a key contributor to a country's economic health. Consumer spending as a percentage of GDP is much lower in Canada, ranging from 52.8% to 58.9% over the last 25 years, compared with 61.4% to 70.0% in the U.S. In other words, consumer spending has boosted the economy more in the U.S. than in Canada.



Sources: Statistics Canada, National Income and Expenditure Accounts; U.S. Department of Commerce

Canadians pay more income taxes and transfers to government



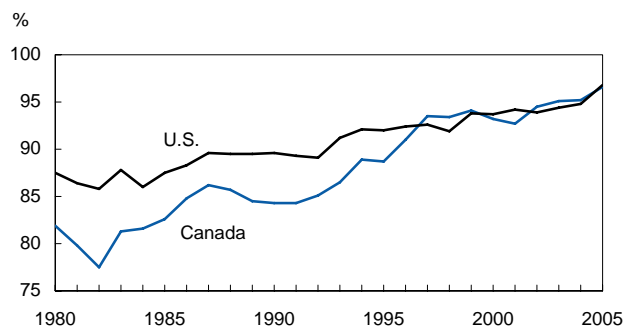
Sources: Statistics Canada, National Income and Expenditure Accounts; U.S. Department of Commerce

Even though both countries have a progressive income tax system, their marginal tax rates, methods of taxation, and allowable deductions vary considerably. In Canada, a relatively larger share of personal income goes for federal and provincial income taxes, Canada or Quebec Pension Plan contributions, and Employment Insurance premiums (17.3% in 1980 and 23.4% in 2005). Americans, on the other hand paid 13.0% and 11.8% of their income for federal and state income taxes, social security contributions, and unemployment insurance.¹ The gap between total personal income and disposable income widened in both countries between 1980 and 2005, but more so in Canada.

Note

1 The higher rate of transfers to governments in Canada can be attributed partly to the funding of universal health care and security benefits. In the U.S., Medicaid is available only to people with limited income, while Medicare is available to those 65 and older.

Canadians and Americans spend a similar proportion of their income



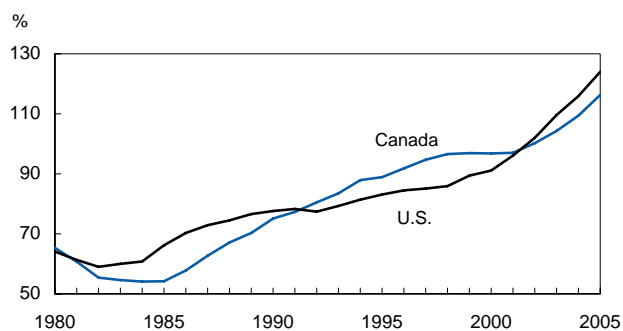
Sources: Statistics Canada, National Income and Expenditure Accounts; U.S. Department of Commerce

Until the mid 1990s, both Canadians and Americans managed to spend less than their disposable income. However, from 1996 onwards, they spent almost all of it, leaving very little for saving.

Both Canadians and Americans have increased their debt-to-income ratios

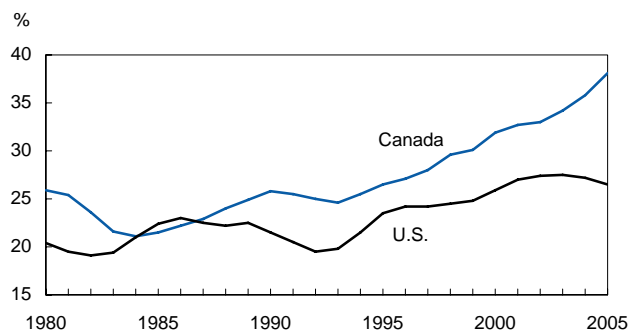
Credit can be used to meet regular or unexpected consumption needs, or even to acquire assets. Debt load, measured by the ratio of total debt to disposable income was almost the same for Canadians and Americans at the beginning of the 1980s. After that, they parted ways: Americans had the greater debt load between 1983 and 1991 and Canadians between 1992 and 2000. From 2001, debt grew steadily in both countries and by 2002 had surpassed disposable income. By 2005, for each dollar of disposable income, Canadians owed \$1.16 and Americans \$1.24.

Some of the increased indebtedness between 2001 and 2005 may be attributed to relatively low rates of interest, easy credit through home equity loans, and increased limits and incentives on credit cards issued by competing financial institutions.



Sources: Bank of Canada, Public Information Service; U.S. Federal Reserve, Financial and Business Statistics

Canadians use more consumer credit for their personal spending



Sources: Bank of Canada, Public Information Service; U.S. Federal Reserve, Financial and Business Statistics

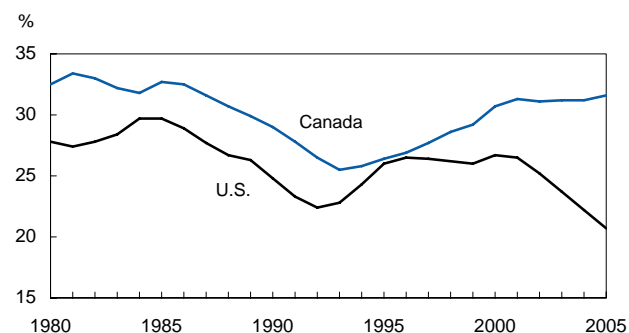
Between 1980 and 2005, consumer credit represented between 21 and 38 cents of each dollar of personal spending in Canada. In the U.S., the amount was between 19 and 27 cents. Since 1986, when the Reagan administration cancelled tax deductibility for interest paid on consumer loans, Americans have been using less of this kind of credit. Consequently, since 1988, the gap between the U.S. and Canada in the use of consumer credit has widened.

Non-homeowners in both countries, who have neither mortgage debt nor access to home-equity line of credit, can increase limits on their credit cards or use personal loans to finance unexpected needs or other budgetary shortfalls.

Consumer credit is still a relatively small share of total household debt in both countries

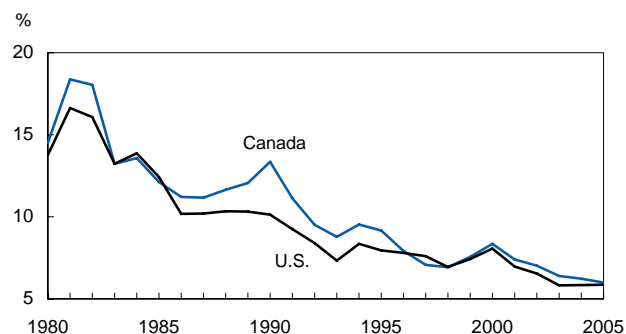
In Canada, consumer credit fluctuated between 26% and 33% of total household debt over the 1980-to-2005 period. These proportions indicate two distinct trends: a steady fall between 1985 and 1993 and a rise thereafter. A drop in the share of consumer credit means an increase in the share of mortgages. The increase in mortgage debt during this period in Canada was largely due to baby boomers purchasing their first home. However, the increasing use of consumer credit since 1992 is likely due to a combination of factors, including stagnant incomes in the 1990s, easier credit in the early 2000s, and changing demographics and lifestyles.

With Americans also experiencing stagnant incomes in the 1990s, their use of consumer credit rose between 1992 and 1996. Tax deductibility for mortgage interest on the principal residence may encourage Americans to mortgage or re-mortgage their home, using such funds for consumption, investment, home renovation, paying off loans, or some other purpose.



Sources: Bank of Canada, Public Information Service; U.S. Federal Reserve, Financial and Business Statistics

The conventional mortgage rate is usually higher in Canada than in the U.S.



Note: Five-year mortgage rate charged by banks in Canada; rate charged by institutions on commitments for fixed-rate, first mortgages in the U.S.

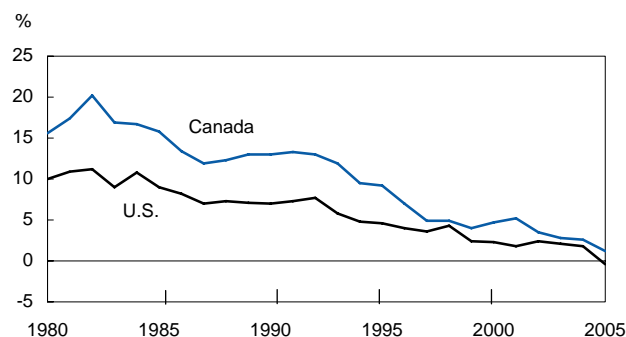
Sources: Bank of Canada, Public Information Service; U.S. Federal Reserve, Financial and Business Statistics

Because of the size of the market and competition among financial institutions and private lenders, the conventional five-year mortgage rate in the U.S. is usually lower than in Canada. The gap in rates was at a maximum during the economic recessions of 1981–1982 and 1989–1991. In both countries, mortgages were highest in 1981—18.4% in Canada and 16.6% in the U.S. By 2005, they had dropped to less than 6%. Since 1996, conventional mortgage rates in the two countries have been quite close (higher in Canada by half a percentage point or less).

The personal savings rate has fallen since 1982

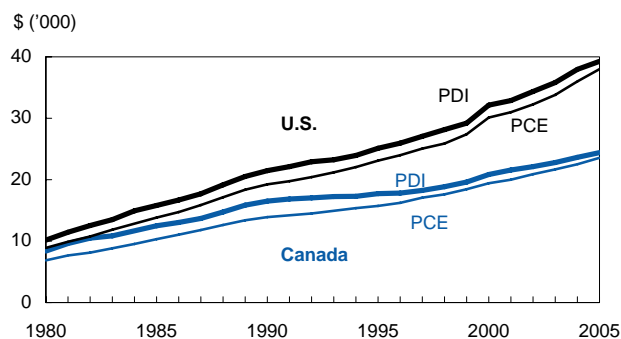
The personal savings rate has fallen in both countries after peaking at 20.2% in Canada and 11.2% in the U.S. in 1982. The high rates of interest during that year were likely an incentive for saving and investing; on the other hand, those who borrowed paid high rates. A gradual decline brought personal savings rates to 1.2% in Canada and -0.4% in the U.S. in 2005.

The reasons for the decline are the same in both countries: more personal consumption (especially in the U.S.) and higher mandatory transfers (income taxes and contributions for security programs). In 1982, Canadians spent 63.4 cents of each income dollar on consumption and 20.0 cents on transfers; Americans spent 74.8 cents and 15.4 cents. By 2005, Canadians were spending 74.0 cents on consumption and 25.1 cents on transfers, Americans 85.3 cents and 15.0 cents.



Sources: Statistics Canada, National Income and Expenditure Accounts; U.S. Department of Commerce

On a per-capita basis, consumption expenditure outpaced disposable income in both Canada and the U.S.



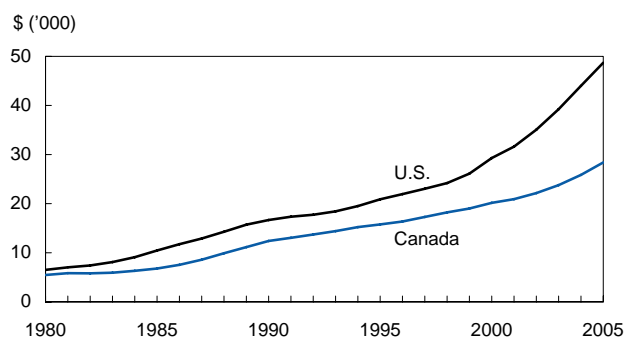
Note: Amounts in Canadian dollars after converting U.S. data on personal disposable income (PDI) and personal consumption expenditure (PCE) based on purchasing power parity.

Sources: Statistics Canada, Demography Division, National Income and Expenditure Accounts; U.S. Bureau of the Census and Department of Commerce

Over the 1980-to-2005 period, per capita consumption expenditure in Canada more than tripled from \$6,870 to \$23,560, while disposable income rose proportionally less—\$8,390 to \$24,400 (2.9 times). In the U.S., expenditures and disposable income rose more steeply—from CAN\$8,890 to \$38,000 (4.3 times) and from CAN\$10,170 to \$39,270 (3.9 times). The disparity between Canada and the U.S. in both per-capita spending and disposable income has increased and, as consumer spending has outgrown disposable income, both Canadians and Americans have had to finance their spending through credit.

Per capita, Americans have more debt than Canadians

The per-capita debt of Canadians has risen 5.2 times over the last 25 years, from \$5,470 in 1980 to \$28,390 in 2005. For Americans, it jumped 7.5 times, from CAN\$6,510 to \$48,700. Per-capita debt has been increasing steadily in both countries, but the disparity between the two countries, almost non-existent at the beginning of the 1980s, began to increase sharply from 1999 onwards. This is partly due to Americans opting to take on more mortgage debt (including refinancing). Increasing mortgage debt for refinancing purposes or taking out home-equity loans implies that homeowners in both countries are using their homes as a source of cash to finance their spending rather than as an investment.



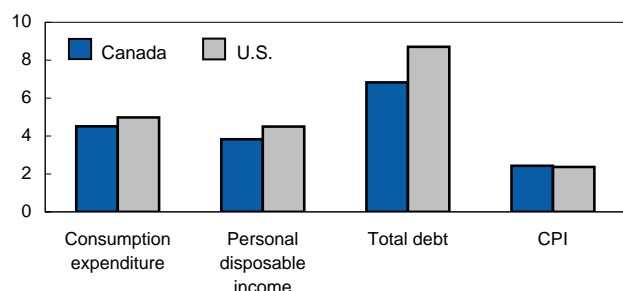
Note: Amounts in Canadian dollars after converting U.S. data on total household debt based on purchasing power parity.

Sources: Statistics Canada, Demography Division; Bank of Canada, Public Information Service; U.S. Federal Reserve, U.S. Bureau of the Census and Financial and Business Statistics

For further information, contact Raj K. Chawla, Labour and Household Surveys Analysis Division. He can be reached at 613-951-6901 or raj.chawla@statcan.ca.

In both countries, total household debt outgrew consumer spending as well as disposable income

2005/1980 ratio



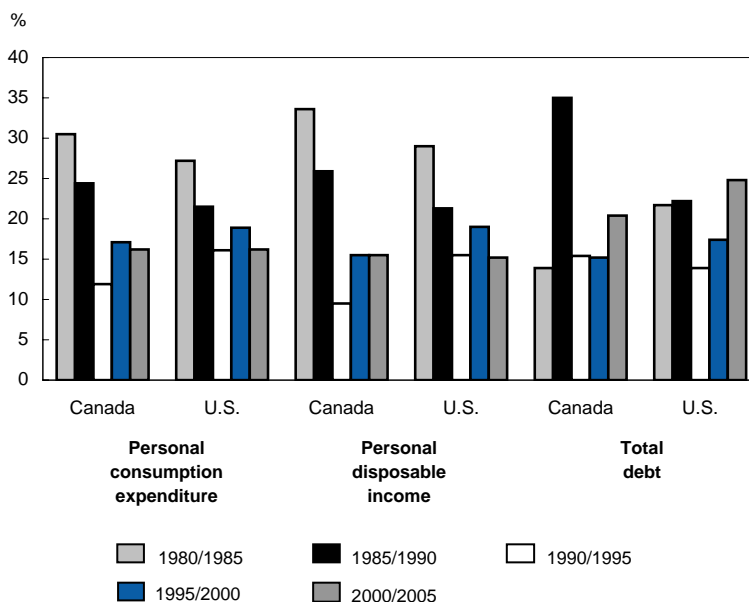
Sources: Statistics Canada, National Income and Expenditure Accounts; Bank of Canada, Public Information Service; U.S. Federal Reserve, U.S. Department of Commerce and Financial and Business Statistics

In terms of aggregates in their respective currencies, household debt rose in Canada from \$134 billion in 1980 to \$916 billion by 2005 (6.8 times), and in the U.S. from \$1.3 trillion to 11.2 trillion (8.6 times). Even though inflation was almost the same in both countries, consumer spending and disposable income increased less in Canada. Consumer spending, for instance, rose from \$168 billion to \$760 billion in Canada and from \$1.8 trillion to \$8.7 trillion in the U.S.

Growth in household debt, consumer spending and disposable income varied with economic activity in both Canada and the U.S.

Of the total growth in household debt between 1980 and 2005, 35.0% occurred between 1985 and 1990 in Canada compared with 22.2% in the U.S. This was a period when baby boomers in Canada were likely purchasing their first home. The largest growth in debt for Americans (24.8%) occurred between 2000 and 2005 compared with 20.4% for Canadians. This was a period of economic prosperity with lower rates of unemployment and inflation accompanied by lower interest rates and easy access to credit.

Since consumer spending and disposable income (in current dollars) are highly sensitive to the rate of inflation, they showed relatively more growth during the 1980-to-1985 period of high inflation—30.5% of the growth in consumer spending in Canada and 27.2% in the U.S. During the 2000-to-2005 period of low inflation, these rates fell to 16.2% in both Canada and the U.S. A similar pattern is seen in the overall growth of disposable income.



Sources: Statistics Canada, National Income and Expenditure Accounts; Bank of Canada, Public Information Service; U.S. Federal Reserve, U.S. Department of Commerce and Financial and Business Statistics

Perspectives