Catalogue No. 98-11

INVOLUNTARY JOB LOSS IN CANADA: PRELIMINARY RESULTS FROM THE SURVEY OF LABOUR AND INCOME DYNAMICS

Product Registration Number 75F0002M

July 1998

Sue Wilson, Ryerson Polytechnic University, Toronto

Susan Silver, Ryerson Polytechnic University, Toronto

John Shields, Ryerson Polytechnic University, Toronto

The Income and Labour Dynamics Working Paper Series is intended to document detailed studies and important decisions for the Income and Labour Dynamics program. It is a continuation of the SLID Research Paper Series. These working papers are available in English and French. To obtain a summary description of available documents or to obtain a copy of any, please contact the Client Services, at 7-B5 Jean Talon Building, Statistics Canada, Ottawa, Ontario, CANADA K1A 0T6, by INTERNET (DYNAMICS@STATCAN.CA), by telephone (613) 951-7355 or toll-free 1-888-297-7355, or by fax (613) 951-3012.

EXECUTIVE SUMMARY

This report of early releases of the SLID survey data is part of a larger research program designed to investigate the employment prospects and outcomes for Canadian workers who lost their main job due to workplace restructuring. We want to explore the common meanings, adjustment strategies and interpretations attributed to the post-displacement experiences and try to determine what cluster of resources, at the institutional, community and familial levels, capacitate individuals and allow them to maintain a sense of personal worth, hopefulness and attachment during joblessness. Our strategy is to combine two methodologies: one using data from the first two waves of SLID and one using nonrandom qualitative interviews.

TABLE OF CONTENTS

1. INTRODUCTION

Every year over one million Canadians are permanently displaced from their jobs. While this number has remained relatively stable for two decades, there are recent changes in the characteristics of Canadians at risk and in the economic sectors most affected by layoff. It is also more difficult now for Canadians to find new work, and the length of jobless spells has increased. Many enter the less stable world of self-employment. In Canada unemployment has remained high over the past 2 decades, the duration of unemployment has increased, wages have declined and the labour market has become increasingly polarized.

2. UNEMPLOYMENT AND JOB INSECURITY IN CANADA

Average unemployment levels in Canada have increased from approximately 5% in the 1950s and 1960s to over 6% in the 1970s, to over 9% in the 1980s and 1990s. Indeed the sustained high levels of unemployment experienced in the late 1980s and early 1990s had not been felt in Canada since the 1930s. (McBride, 1996). Canadian unemployment rates are higher than either European or American rates. Until 1981, unemployment rates in Canada and the United States were similar. Since 1981 there has been an *unemployment gap* between Canada and the United States which has widened over time, and now equals approximately 4 percent. The gap exists for men and women, and workers of all ages, regions, industries, occupations and skill groups. European rates were much lower than rates in either Canada or the United States until the mid-1980s, but have been between the American and Canadian rates during the 1990s.

During this period of high unemployment in Canada, there has been increased polarization in earnings. Average real income for both men and women continues

to decline. Average real earnings for men peaked in 1976 and women's earnings peaked in 1990. (Beach and Stotsve, 1996: 42) Because of an increased number of dual earner families, an increase in hours worked and an increased reliance on transfer payments, family income has remained relatively stable, despite declines in individual real wages. Nevertheless, mean family income peaked in 1989. (Beach and Slotsve, 1996) Furthermore, average family income conceals wide variations between income quintiles, with the three lowest quintiles experiencing declines and the top two experiencing gains (Lochhead and Shalla, 1996). Concerns of greater earnings inequality are reflected across OECD countries (OECD, 1996). The impact of declines in real income, and the polarization of income have been partially moderated by social programs, collective bargaining (Myles, 1996; Card and Freeman, 1993), the increasing incidence of dual income households and longer hours worked (Beach and Slotsve, 1996).

The experience of unemployment is more widely felt than yearly average figures reveal. In the 1990-1993 recession, for example, nearly a third of the labour force was unemployed at some point in time even though the average rate was about 10% (Human Resources Development Canada, 1994:33). The length of unemployment spells has also increased.

While this number of unemployed Canadians has remained somewhat consistent, different groups are now at risk of unemployment. Lately, permanent layoffs are affecting traditionally "advantaged" workers such as public sector workers, older, higher paid workers, middle managers and professionals. (Picot and Lin, 1997). There are really two groups of displaced workers: those with chronic employment instability and those for whom the separation is a unique experience (Picot and Pyper, 1993). Approximately 40% of layoffs in a given year are "rare" events affecting older workers with higher long-term earnings

(Picot, Lin and Pyper, 1997). Reflecting this trend, the labour force participation rates of men 55-64 dropped from 80 percent in 1978 to 60 percent in 1994.

Re-employment following job loss is much more difficult in the 1990s, especially for young workers (Picot, Lin and Pyper, 1997). An increasing number of jobs are part-time, temporary or contract, and an increasing number of workers are self-employed. Heisz (1996) found growing polarization of job duration. The probability that a new job would last beyond 6 months declined significantly while the probability that a 6 month job would last beyond 5 years increased. In other words, it is more difficult for new job holders to achieve job security.

Fewer jobs fit the standard employment model of full-time, relatively permanent attachment to a single employer. Nonstandard employment (part-time, contract, homework, own account self-employment), has been increasing since the 1970s, with "full-time" jobs constituting only half of all new jobs created between 1979 and 1993 (Human Resources Development Canada, 1994). According to the 1995 Survey of Work Arrangements sponsored by Human Resources Development Canada, one in three Canadian workers are full-time, permanent, 9 to 5, Monday to Friday with one employer. Non-standard jobs are usually less secure and much less likely to offer pension or health-care benefits, sick leave or vacation time.

Nonstandard workers are typically historically disadvantaged and young workers. Over 70 percent of the part-time labour force made up of women workers (McKitrick, 1989). An increasing number of nonstandard workers prefer full-time standard jobs but have been unable to attain them. In 1993 about one in three part-timers were involuntarily so (Human Resources Development

Canada, 1994). Structured underemployment has become a significant force in the new labour market (Rifkin, 1995; OECD, 1994:10; Barnet, 1993).

Workplace flexibility has been achieved by following the logic of *lean production* (Roberts, 1995) through labour-saving technology and contracting-out. Osberg et al (1995) call this workforce casualisation. Such organizational restructuring has meant reducing the number of core, permanent, full-time workers to a minimum, and making hours of work and duration of employment more variable for ever larger segments of the workforce (Human Resources Development Canada, 1994; Morissette et. al., 1995).

Self-employment, which is inherently precarious, accounted for 10% of all employment in 1995, reflecting an 83% growth during the last 20 years (Lochhead, 1997). Equally concerning is public sector downsizing, decreasing from one-fifth of all employment in 1976 to less than one-sixth in 1996 (Lochhead, 1997). The effect is a heightened perception of economic insecurity and job instability for all workers. A recent opinion poll found that 42 percent of Canadians feel that they have lost control over their economic futures (Ekos, 1996). These perceptions of insecurity are also widespread across OECD countries, including countries experiencing low unemployment rates (OECD, 1997).

3. THE SURVEY OF LABOUR AND INCOME DYNAMICS

This paper reports preliminary findings of a long term study designed to document the dynamics of job loss and reemployment for Canadians who lost a main job due to workplace restructuring. The data are taken from early releases of SLID, a longitudinal survey designed by Statistics Canada to measure economic well-being.

The survey will follow many panels of respondents for six year periods. The panels are scheduled to begin in 1993, 1996, 1999 and so on. The survey is structured this way:

Panel 1 - 1993 to 1998

Panel 2 - 1996 to 2001

Panel 3 - 1999 to 2004

...etc.

In each panel, respondents and other household members aged 16 or over are interviewed every year of the six year period. The data files for 1993 and 1994 waves were released in 1996 and 1997 and all six waves of data for the 1993 panel will be available by June 2000. SLID is the first longitudinal household survey to provide national detailed data on income and employment outcomes over time (Giles and Lafrance, 1995).

The SLID sample includes people from across the country, with ages ranging from 16 to 69. There were approximately 16,000 households and 31,000 respondents in the first wave of the 1993 panel. The size of the panel will decrease with sample mortality, and increase with additional household members. All respondents are asked to provide information about labour force activity, income and wealth, education and personal characteristics.

Although unemployment as measured by the Canadian Labour Force Survey was 11.2% in 1993, SLID paints a different picture of the extent of unemployment and the dynamic nature of job starts and exits. According to SLID, 25.6% of employed Canadians had at least one spell of unemployment in 1993. Some of this group (about 13%) were unemployed for the whole year, some (about 20%) for only a few weeks. Approximately 27% of the Canadian labour force experienced a change in labour force status - either leaving or entering the labour force; leaving

or getting a job. (*Dynamics*, June 1996) The 1994 data shows a similar pattern. In that year, 24.8% of Canadians lost a job.

This report of early releases of the SLID survey data is part of a larger research program designed to investigate the employment prospects and outcomes for Canadian workers who lost their main job due to workplace restructuring. We want to explore the common meanings, adjustment strategies and interpretations attributed to the post-displacement experiences and try to determine what cluster of resources, at the institutional, community and familial levels, capacitate individuals and allow them to maintain a sense of personal worth, hopefulness and attachment during joblessness. Our strategy is to combine two methodologies: one using data from the first two waves of SLID and one using nonrandom qualitative interviews. The SLID allows a detailed analysis of Canadians who have experienced permanent layoff. Our focus is that group of unemployed Canadians who lost jobs due to restructuring. We were interested in the characteristics of this group, and their reemployment experiences. We also wondered to what extent the group would reflect the labour force patterns described in the introduction. For example, would we find a high number of older workers, with higher earnings who had previously experienced job stability among those unemployed because of restructuring? The research objectives of the quantitative component are: 1) to build annual descriptions of the segment of the Canadian labour force that experience a permanent layoff and to compare this cohort with the larger Canadian labour force; and 2) to describe outcome variables such as duration of jobless spells, periods of employment, industry and job characteristics, income sources and fluctuations, periods of formal education for different subgroups by age, gender, education level, income, industry-type and region.

Table 1
Canadians who Lost Jobs to Restructuring
Survey of Labour and Income Dynamics, 1993, 1994
(Population estimates, 000)

	1993		1994	
	Population Estimates (000)	%	Population Estimates (000)	%
Employed Canadians who lost jobs	3,795	25.6%	3,723	24.8%
Employed Canadians who lost jobs to restructuring	935	6.0%	872	5.8%
% of unemployed Canadians who lost jobs to restructuring		24.6%		23.4%

The interviews, to be done in Canada's three largest cities Toronto, Montreal and Vancouver, will allow us to begin to understand the meaning and significance attributed to a permanent layoff. What are the non-economic consequences of job loss? What are their employment expectations and are these realized? Are the traditional assets of education and experience effective? If not, what new assets are required?

Using the SLID data, we focused on people who lost a main job for one of three reasons: the company moved, the company went out of business, or there was a (nonseasonal) layoff or business slowdown. This subsample consisted of 1,198 people in the 1993 release and 1,169 people in 1994. Table 1 provides the population estimates for the subsample.

Table 2
Characteristics of Canadians who Lost Jobs to Restructuring
Survey of Labour and Income Dynamics, 1993, 1994

	1993 Population Estimates 935,000	1994 Population Estimates 872,000
Sex		
%male	59.4%	61.9%
Age		
% 16 to 24	27.6%	27.6%
% 25 to 34	28.1%	30.3%
% 35 to 44	22.0%	20.7%
% 45 to 54	15.2%	16.7%
% 55 to 69	7.1%	4.7%
Education		
% with less than high school	24.5%	24.9%
% with high school graduation	35.9%	29.6%
% with at least some post secondary	39.0%	44.9%
Income		
% earning <$10,000	29.7%	28.7%
% earning >$10,000 and < $25,000	45.7%	42.8%
% earning > $25,000	24.6%	28.5%

Table 2 compares the displaced subsamples for 1993 and 1994. As the data shows, Canadians who lost jobs to restructuring are typically young and male, well educated and earning relatively modest salaries. More than 70 percent of this group earned less than $25,000. The industry groups most affected by restructuring were manufacturing, construction and retail trade. Most of the jobs lost were not long term. In 1994, 77% of jobs lost were jobs held for less than 5 years. Only 14.8% of these jobs had pension plans, and only 17.6% were covered by collective agreements.

In our preliminary analysis of the 1994 data subsample, 39% of displaced workers found jobs by the end of 1994. The proportion was the same for full and part-time employees. Figure 1 shows the re-employment patterns of displaced workers in 1994. Most full-time employees found employment in full-time jobs, but 21 percent found part-time work. Similarly, among the group of displaced part-timers, who found jobs, 51 percent found full-time jobs. Equal numbers (approximately 22%) moved into "better" jobs and "worse" jobs, as measured by wages and benefits, while 12% moved into jobs that were equivalent to their former jobs.

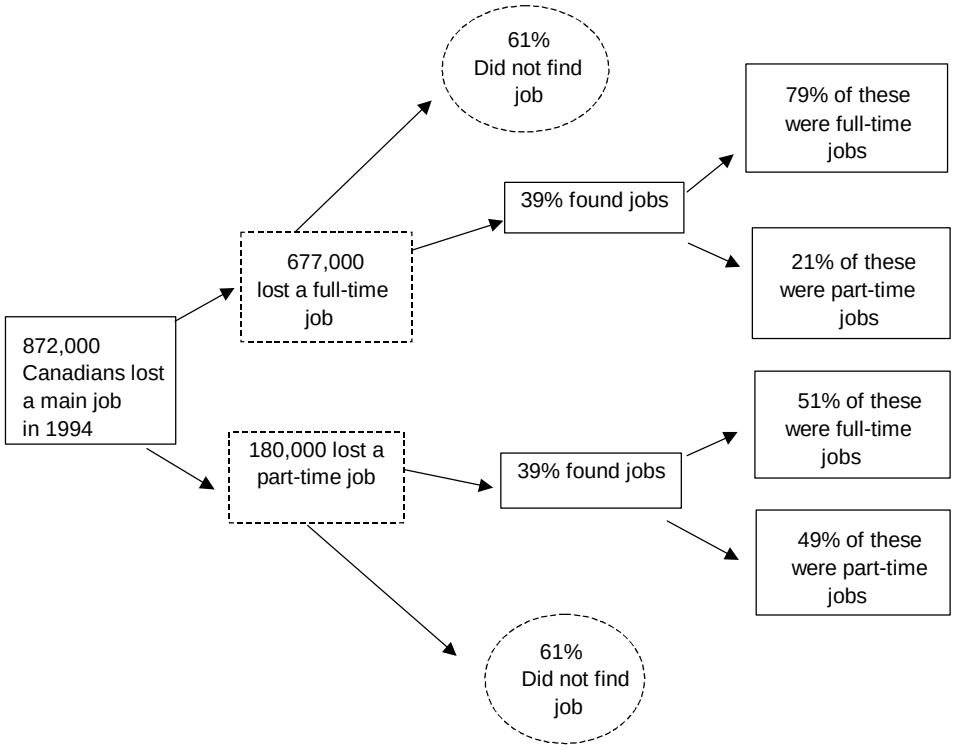
4. DISCUSSION

While the goal is to follow this subsample of Canadians for the 6 year period of the panel study, to understand the dynamics of structural unemployment, the data reported here describes the 1993 and 1994 waves. Each year we will build the subsample by adding the number of additional people experiencing a job loss, and follow the employment dynamics of everyone identified as displaced. SLID will enable us to answer questions about the permanence or impermanence of new jobs, and how this is affected by age, education and job experience. The work reported here is preliminary. For example the proportion of workers who are re-employed includes only those re-employed by the end of 1994, and excludes people who found jobs in the next calendar year.

The proposed study linking SLID analyses to qualitative interviews has recently been funded by the Social Sciences and Humanities Research Council of Canada. This support will enable us to proceed with further analysis of SLID releases as they become available. Each release allows for retrospective analysis. As we are able to identify in interviews the kinds of non-economic assets used by displaced workers we will try to test their effectiveness for the larger SLID sample.

The emergent literature on social capital (Coleman, 1988; Putnam, 1993, 1996), social networks (Granovetter, 1995) and social assets (Sherraden, 1991) provide a significant theoretical framework for this study. These theorists have linked high degrees of engagement, affiliation and participation in social relations to favourable economic outcomes. Putnam examines "stocks" of social capital at the community level, while Granovetter studies the composition of an individual's social ties and Sherraden links assets to attitudes and behaviours. Using "engagement" as a central theme, this study will explore, qualitatively, the opportunities for participation, and the types of affiliations that decrease the isolating and socially excluding tendencies associated with unemployment (Silver, 1994). This study contributes to the literature by integrating these three related perspectives to understand the cluster of resources, at the institutional, community and familial levels, that capacitate individuals and allow them to maintain a sense of personal worth, hopefulness and attachment during joblessness.

Figure 1: Re-empolyment of Displaced Workers, Canada 1994



Source: Statistics Canada, Survey of Labour and Income Dynamics, 1994.

REFERENCES

Beach, C.M. and G.A. Slotsve. (1996). "The Distribution of earnings and income in Canada". Policy Options, 17, No. 6, 42- 45.

Benedict, M. and P. Vanderhart. (1997). Reemployment differences among dislocated and other workers: how do they adapt to job losses?", American Journal of Economics and Sociology, 56,1, 1-15

Coleman, J. (1988) “Social Capital in the creation of human capital”, American Journal of sociology, 94, supplement, S95-S120.

Ekos. (1996). Rethinking Government. Ottawa: Ekos Consulting Group.

Giles, P. and P. Lafrance. (1995). "Modeling data files for longitudinal surveys". Statistics Canada , SLID Research Paper Series 95-16.

Granovetter, M. (1995) Getting a Job: A Study of contacts and careers. 2nd edition, Chicago: University of chicago Press.

Heisz, A.(1996). Changes in job tenure and job stability in Canada. Analytical Studies Branch, Statistics Canada, No. 95.

Human Resources Development Canada. (1994). Report of the Advisory Group on Working Time and the Distribution of Work. Ottawa: Ministry of Supply and Services, December.

Lauzon, Darren. (1995). Worker displacement: Trends, characteristics and policy responses. Applied Research Branch, Human Resources Development Canada, No. R-95-3.

Lochhead, C. (1997) Public Sector Downsizing: The impact on job quality in Canada. Ottawa: Canadian Council on Social Development.

McBride, S. (1992). Not Working: State, Unemployment and Neo-Conservatism in Canada. Toronto: University of Toronto Press.

McBride, S. (1996). The Political Economy of Economic Restructuring: Implications for the Labour Force. Paper presented to the International Workshop Conference on "Human Resources Development, Work Organisation and Learning in a Changing Economy", Green College, University of British Columbia, August 19-21.

McBride, S. and J. Shields. (1993). Dismantling a Nation: Canada and the New World Order. Halifax: Fernwood.

McKitrick, Ross. (1989). The current industrial relations scene in Canada 1989: The economy and labour markets reference tables. Kingston: Industrial Relations Centre Queen's University.

Morissette, R., J. Myles and G. Picot. (1993). What is happening to earnings inequality in Canada?", Business and Labour Market Analysis Group. Analytical Studies Branch, Statistics Canada, No. 60.

Morissette, R., J. Myles and G. Picot. (1995) "Earnings inequality and the distribution of working time in Canada", Canadian Business Economics, Spring , 4- 16.

Myles, J. (1996). "Public Policy in a World of Market Failure", Policy Options, 17, No. 6, pp. 14-19.

Ontario, Ministry of Labour. (1993). The displaced workers of Ontario: How do they fare? Economics and Labour Market Research.

Organization For Economic Co-operation and Development. (1994). The OECD Jobs Study: Facts, Analysis, Strategies. Paris: OECD.

Organisation For Economic Co-operation and Development (OECD). (1996). Employment Outlook. Paris: OECD.

Organisation For Economic Co-operation and Development (OECD). (1997). Employment Outlook. Paris: OECD.

Osberg, L., F. Wien and J. Garude. (1995). Vanishing jobs: Canada's changing workplaces. Toronto: James Lorimer & Company.

Putnam, R., (1993) “The Prosperous community: Social Capital and Public life”, American Prospect, 13, Spring, 35-42.

Putnam, R (1996) “The Strange disappearance of civic America”, American Prospect, Winter 34-48.

Picot, G. and Z. Lin. (1997). Are Canadians More Likely to Lose Their Jobs in the 1990s? Analytical Studies Branch, Statistics Canada, No. 103.

Picot, G., Z. Lin and W. Pyper. (1997). Permanent Layoffs in Canada: Overview and Longitudinal Analysis. Analytical Studies Branch, Statistics Canada, No. 103.

Picot, G. and W. Pyper. (1993). Permanent layoffs and displaced workers: Cyclical sensitivity, concentration, and experience following the layoff. Analytical Studies Branch, Statistics Canada, No. 55.

Rifkin, J. (1995). The end of work: The decline of the global labour force and the dawn of the post-market era. New York: Tarcher/Putnam.

Riddell, W. Craig. "Employment and unemployment in Canada: Assessing recent experience" Policy Options, July/August, Vol. 17, No. 6, 9 -14.

Roberts, B. (1995). "From lean production to agile manufacturing: A new round of quicker, cheaper and better", In C. Schenk and J. Anderson (eds.). Re-shaping Work: Union Responses to Technological Change. Toronto: Ontario Federation of Labour.

Sherraden, M. (1991). Assets and the poor. New York: M.E. Sharpe Inc.

Shields, J. (1995). "'Flexible' work, labour market polarization, and the politics of skills training and enhancement" in T. Dunk, S. McBride and R. Nelsen (eds.), Training, ideology and labour adjustment. Fernwood Publishing, Halifax. (forthcoming)

Silver, H. (1994) “Social Exclusion and Social Solidarity: Three Paradigms”, International Labour Review, 133, 532-578.

Statistics Canada. (1995). "Survey overview: Survey of labour and income dynamics." Ottawa.